STATE OF MISSOURI

DEPARTMENT OF INSURANCE, FINANCIAL INSTITUTIONS AND PROFESSIONAL REGISTRATION

P.O. Box 690, Jefferson City, Mo. 65102-0690

In re:	)	
	)	Examination No. 0407-55-TLE
Chicago Title Insurance Company	)	
(NAIC #50229)	)	

ORDER OF DIRECTOR

NOW, on this 24th day of February, 2009, Acting Director John M. Huff, after consideration and review of the market conduct examination report of Chicago Title Insurance Company. (NAIC #50229), (hereafter referred to as "Chicago Title") report numbered 0407-55-TGT, prepared and submitted by the Division of Insurance Market Regulation pursuant to §374.205.3(3)(a), RSMo, and the Stipulation of Settlement and Voluntary Forfeiture ("Stipulation") does hereby adopt such report as filed. After consideration and review of the Stipulation, report, relevant workpapers, and any written submissions or rebuttals, the findings and conclusions of such report is deemed to be the Director's findings and conclusions accompanying this order pursuant to §374.205.3(4), RSMo.

This order, issued pursuant to §§374.205.3(4) and 374.280, RSMo and §374.046.15. RSMo (Supp. 2006), is in the public interest.

IT IS THEREFORE ORDERED that Chicago Title and the Division of Insurance Market Regulation have agreed to the Stipulation and the Director does hereby approve and agree to the Stipulation.

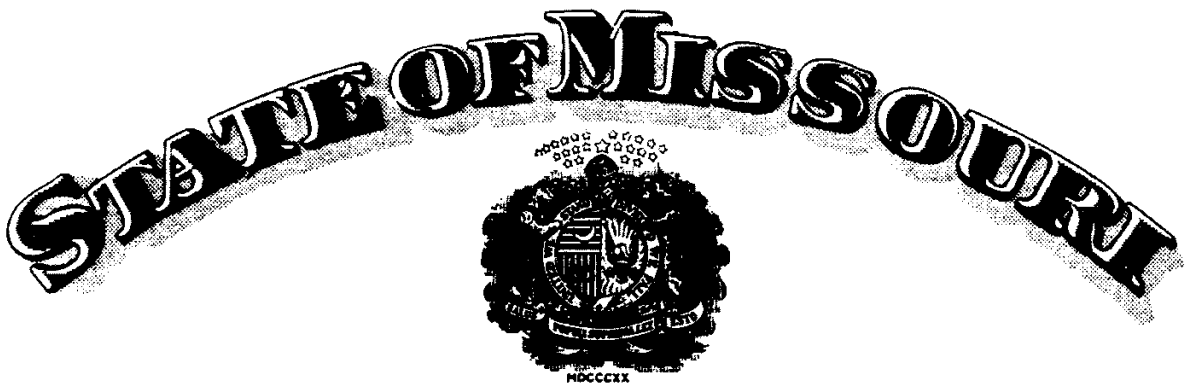
IT IS FURTHER ORDERED that Chicago Title shall not engage in any of the violations of law and regulations set forth in the Stipulation and shall implement procedures to place Chicago Title in full compliance with the requirements in the Stipulation and the statutes and regulations of the State of Missouri and to maintain those corrective actions at all times.

IT IS FURTHER ORDERED that Chicago Title shall pay, and the Department of Insurance, Financial Institutions and Professional Registration, State of Missouri, shall accept, the Voluntary Forfeiture of $55,496.40, payable to the Missouri State School Fund in accordance with §374.280, RSMo.

IT IS SO ORDERED.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the seal of my office in Jefferson City, Missouri, this 24th day of FEBRUARY, 2009.

John M. Huff
Acting Director



DEPARTMENT OF INSURANCE, FINANCIAL INSTITUTIONS AND PROFESSIONAL REGISTRATION

P.O. Box 690, Jefferson City, Mo. 65102-0690

TO: Office of the President
Chicago Title Insurance Company
Mark Twain Tower
106 West 11th St., Ste. 1800
Kansas City, MO 64105

RE: Missouri Market Conduct Examination #0407-55-TLE

STIPULATION OF SETTLEMENT AND VOLUNTARY FORFEITURE

It is hereby stipulated and agreed by Kip Stetzler, Acting Director of the Missouri Department of Insurance, Financial Institutions and Professional Registration, (hereinafter referred to as "Director,") and Chicago Title Insurance Company, (hereafter referred to as "Chicago Title"), as follows:

WHEREAS, Kip Stetzler is the Acing Director of the Missouri Department of Insurance, Financial Institutions and Professional Registration (hereafter referred to as "the Department"), an agency of the State of Missouri, created and established for administering and enforcing all laws in relation to insurance companies doing business in the State in Missouri; and

WHEREAS, Chicago Title has been granted certificate(s) of authority to transact the business of insurance in the State of Missouri; and

WHEREAS, the Director conducted a Market Conduct Examination of Chicago Title and prepared report number 0407-55-TLE; and

WHEREAS, the report of the Market Conduct Examination alleges the following:

1. Chicago Title employed an agent which was not licensed as a title agent, thereby

violating §381.031.17, .18, and .19, RSMo.

2. In some instances, Chicago Title used policy forms which included language that had not previously been filed with the Department, thereby violating §§381.071.1(2), and 381.211, RSMo, and 20 CSR 500-7.100(3)(A).

3. In some instances, Chicago Title used exceptions in its title policies that were inappropriate, generic in form, or not specific to the property or the transaction, thereby violating §381.071.1(2) and .2, RSMo.

4. In some instances, agents of Chicago Title used risk rates and policy charges that did not accurately reflect those previously filed with the Department, thereby violating §381.181, RSMo, 20 CSR 7.100(1)(D), (2), and (3)(B), and DIFP Bulletin 93-09.

5. In some instances, some of Chicago Title's agencies failed to record the security instrument(s) within three (3) business days after the closing of the transaction, thereby violating §381.412.1, RSMo.

6. In some instances, Chicago Title failed to issue policies as agreed, failed to offer adequate coverage, and otherwise failed to properly determine insurability by using sound underwriting practices when issuing certain policies, thereby violating §§381.071.1(2) and .2, RSMo, DIFP Bulletin 05-05, and the Company's own underwriting policy.

7. In some instances, agents of Chicago Title failed to properly indicate how fees were allocated, in violation of the Real Estate Settlement Procedures Act of 1974 (RESPA), §8(b), 12 USCA §2607(a-b), 24 CFR §3500.14.

8. In some instances, Chicago Title agents or agencies were unable to provide the examiners sufficient documentation in their files to allow the examiners to readily ascertain the underwriting and claims practices of the company, thereby violating §§374.205 and 381.141, RSMo, and 20 CSR 300-2.200.

9. In some instances, Chicago Title failed to acknowledge receipt of claims within 10 working days of their receipt, as required by §375.1007, RSMo, and 20 CSR 100-1.010(1)(G).

10. In some instances, Chicago Title failed to notify the insured of its acceptance or denial of certain claims within 15 working days of receipt of the claims, as required by §375.1007, RSMo, and 20 CSR 100-1.050(1)(A).

11. In some instances, Chicago Title failed to complete its investigation of claims within 30 days of the receipt of the claims, as required by §375.1007(3), RSMo, and 20 CSR 100-1.040.

12. In some instances, Chicago Title failed to send a status letter to its claimants explaining why claims were still open after 45 days from the date of notice of the claim, as required by 20 CSR 100-1.050(1)(C).

13. In some instances, Chicago Title denied claims without first conducting a reasonable investigation as required by §375.1007(3), (4) and (6), RSMo and 20 CSR 100-1.040.

14. In some instances, Chicago Title failed to properly disclose to first-party claimants all pertinent benefits, coverages, and other policy provisions that might have entitled the insured to certain benefits under the policy, thereby violating §375.1007(4), RSMo, and 20 CSR 100-1.020(1).

15. In some instances, Chicago Title failed to promptly reply to its claimants within 10 days of receiving communications from the claimants which reasonably suggested a response was expected, thereby violating 20 CSR 100-1.030(2).

16. Chicago Title failed to acknowledge a complaint in a timely manner, as required by §375.1007(2), RSMo, and 20 CSR 100-1.030.

17. In some instances, Chicago Title failed to timely provide examiners with requested files and respond to criticisms and formal requests of the examiners, thereby violating §374.205.2(2), RSMo, and 20 CSR 300-2.200(5) and (6).

WHEREAS, Chicago Title has, since the time period covered by this examination, taken affirmative steps to address issues raised by this examination. Chicago Title shall, within 120 days of the entry of a final Order closing this examination, file a letter report with the Director outlining those steps taken, both in the past and prospectively, to avoid recurrence of the errors alleged in the examination report;

WHEREAS, Chicago Title agrees to file documentation of all remedial actions taken by it to implement compliance with the terms of this Stipulation and to reasonably assure that the errors noted in the examination report do not recur, including explaining the steps taken and the results of such actions, with the Director within 120 days of the entry of a final Order closing this examination;

WHEREAS, Chicago Title is of the position that this Stipulation of Settlement and Voluntary Forfeiture is a compromise of disputed factual and legal allegations, that the execution of this Stipulation does not constitute an admission as to any alleged fact or violation, and that the payment of a forfeiture is merely to resolve this examination and avoid further administrative hearings or litigation;

WHEREAS, Chicago Title, after being advised by legal counsel, does hereby voluntarily and knowingly waive any and all rights for procedural requirements, including notice and an opportunity for a hearing, which may have otherwise applied to Market Conduct Exam #0407-55-TLE; and

WHEREAS, Chicago Title hereby agrees to the imposition of the ORDER of the Director and as a result of Market Conduct Examination #0407-55-TLE further agrees, voluntarily and knowingly to surrender and forfeit the sum of $55,496.40.

NOW, THEREFORE, in lieu of the institution by the Director of any action for the SUSPENSION or REVOCATION of the Certificate(s) of Authority of Chicago Title to transact the business of insurance in the State of Missouri or the imposition of other sanctions, Chicago Title does hereby voluntarily and knowingly waive all rights to any hearing, does consent to an ORDER of the Director and does surrender and forfeit the sum of $55,496.40, such sum payable to the Missouri State School Fund, in accordance with §374.280, RSMo.

DATED: January 30, 2009

Vice President and Regulatory Counsel
Chicago Title Insurance Company

Response of

Chicago Title Insurance Company

To

Market Conduct Examination Report

By

State of Missouri
Department of Insurance

NAIC Number 50229

January 30, 2009

Home Office

Mark Twain Tower

106 West 11th Street, Suite 1800

Kansas City, MO 64105

Examination Number: 0407-55-TLE

GENERAL POSITION STATEMENTS

The Market Conduct Examination Report (the "Report") of the Missouri Department of Insurance (the "Department") raises a number of issues that have not previously been raised by the Department in its examinations. Inasmuch as many of the issues are addressed repetitively in the Report, Chicago Title Insurance Company (the "Company") hereby responds to the examiners' general criticisms in the General Position Statements below. For ease in reading the responses to the specific criticisms, the Company will refer to the applicable General Position Statement.

I. ABSENCE OF PRINTED EXCEPTIONS IN LOAN POLICY SCHEDULE B

"Standard exceptions" and "special exceptions" appear in the policy on Schedule B. Various Schedule B forms have been filed by the Company over the years and the filing of such schedules do not necessarily coincide with the filing of policy jackets.

The Company filed the substantiating evidence of its compliance which disclosed that no Schedules, with or without standard exceptions, were filed to accompany the 1992 policy jackets. That submittal was acknowledged by the Department as having been filed on November 1, 1994. The omission of such forms was not an oversight by the Company. It was simply the Company's intention that we continue to use the forms previously filed, as stated in the correspondence submitted with the filing.

The Company states that there is no special connotation nor misperception within the loan industry that the ALTA 1992 loan policy form carries with it coverage which would be afforded automatically through Schedule B, absent the requirements and exceptions set forth in the title commitment. The Company has filed with the Department various forms of Schedule B for attachment to a loan policy, both with and without preprinted standard exceptions, which exceptions were previously disclosed and raised in the commitment. Neither of these formats is exclusive to the ALTA 1992 Loan form policy and either format of Schedule B may be utilized. The end result will be that if the parties to the transaction do not meet requirements to eliminate the standard exceptions set forth in the commitment, they will be shown in the policy.

II. RATING PRACTICES

The provisions of §381.031(14) define "premium" as "risk rates charged to the insured." The term "risk rate" is not defined in the provisions of Chapter 381, RSMo Supp. 1988. The rates properly filed by the Company on the Uniform Premium (Risk Rate) Reporting Form include those rates the Company has instructed its agents to charge for the risk the Company is incurring in issuing a title insurance policy.

20 CSR 500-7.100 (1)(D) defines "risk rate" as follows: "Risk rate means the total consideration paid by or on behalf of the insured for a title insurance policy. Risk rate shall include the title insurance agent's commission, but shall not include any charge as defined in subsection (1)(A)."

20 CSR 500-7.100(1)(A) defines charge as follows: "Charge means any fee charged to the insured, or paid for the benefit of the insured, for the performance of title related services, other than the risk rate charged for title insurance. This charge shall include, but not be limited to, fees for abstracts, title search and examination, handling of escrows, settlements or closings;"

The Company has with each of its agents an Issuing Agency Contract. The relationship of the Company to its agents is a limited agency created and defined by said Contracts. The Examiner correctly points out in Subsection B(b.) that: "The agents are using the filed risk rate and reporting that correctly on their policy..." The Contracts of the Company do not authorize the use of any specific rate charged to consumers in the State of Missouri. Rather, the agents are required to remit to the Company on an amount determined by a formula contained in the Contracts. Any "Schedule of Remittances", "National Rate Book", or "Remittance Schedule" attached to said Contracts are purely an operation of contract, necessary only to determine the net retention of the Company, and do not affect the ultimate charge to Missouri consumers.

The criticism states that the agencies are using "national risk rates" from the 1980's to calculate the agent's commission. It is not clear if this is cited to be a criticism on the basis of regulation or statute, but we are aware of reference to this term in Bulletin No. 93-09 issued by the Director August 2, 1993. The term or phrase "national risk rate" has been used by the Company in it's Agency Contracts prior to the time the Department adopted the same words "risk rate" when later establishing 20 CSR 500-7.100 (1) (D). It is difficult to imagine that the Company is expected to ascribe a definition for "risk rate" to the Agency Contracts that was specified differently by regulation years later. There is no statute or regulation with which the Company is familiar that requires a contractual relationship between "risk rate" and Company retention.

The duties of the Company and the duties of the agent under the Issuing Agency Contract include "title-related services" referred to under 20 CSR 500-7.100 (1) (A). Compensation for such title-related services provided by the Company and the Agent is included within the schedule attached to the Contract, by whatever name called. Such services are "title-related services" and are excluded within the definition of "risk rate" defined by the regulation.

III. USE OF GENERAL EXCEPTIONS IN PLACE OF SPECIFIC EXCEPTIONS

The exceptions noted are commonly used to identify exceptions that are agreeable to a residential lender, its underwriters and the secondary market, without specific identification of document recording information. The refinance loan market encourages the use of such streamlined language because it expedites production of the title commitment and supports the discounted refinance rates provided to the consumer. The language does not alter the loan policy coverage and is not prohibited. The Company also accommodates requests from a lender to report on recording information if they so desire. ALTA has adopted the use of such language in the ALTA Short Form Loan Policy, which is filed by the Company. The lenders simply did not request or apparently desire the ALTA Short Form Loan policy.

The examiner and Department subsequently acknowledged that such language was acceptable within the industry and indicated that "the insurer's obligations can be met using such generic

exceptions in a loan policy provided that insurer has endorsed the policy to protect lender from economic loss that may result be reason of any such exception, e.g. in the manner of the short form loan policy". The Company has evidenced to the Department that each of the 59 refinance loan policies also contained the ALTA 9 endorsements. However, the Department has responded that nonetheless, the Schedule B exception was not specific to the property or transaction. The Company disputes this, as the exception was raised exclusively in refinance transactions where each lender was provided affirmative assurances as in the manner of the short form loan policy, by use of the ALTA 9 endorsements.

IV. FAILURE TO TIMELY RECORD

The Company denies the criticisms that the Company direct operation or agents did not record within 3 business days as to 25 files, being all those files that are shown to have disbursed prior to the date of May 28, 2002, on the basis that they did not violate the statute as then in effect.

The 3 business day requirement is set forth in RSMo. §381.412. The statute was amended January 1, 2001 by Senate Bill 894, which eliminated the 3-day requirement. On May 28, 2002, the Supreme Court of Missouri concluded all appeals and finally declared that Senate Bill 894 was unconstitutional (on the basis that the title of the act was not clear), which revived the text of this statute to its pre-Senate Bill 894 status. The effect was to revive the 3-day requirement. Even the Missouri Revisor of Statutes has not printed the "Old Title Insurance Law" more recently posted to the Department's web site, to which this criticism refers. Until the Supreme Court concluded the appeal on May 28, 2002, the matter was not finally determined. The Supreme Court's decision, while declaring SB 894 unconstitutional, did not declare invalid or unlawful, any recording made outside the 3 day period during the period between the enactment of the law and the date upon which it was struck down by the Court. For these reasons, there was no 3 day recording requirement appearing in the statute from January 1, 2001 until May 28, 2002.

Of the remaining 19 files shown to have disbursed after the appeal was concluded,
it should be pointed out that 16 recorded within 10 days of the disbursement, which is within federal bankruptcy guidelines.

V. DELAY OF POLICY ISSUANCE

By letter dated September 17, 2007, the Department will not assess a violation for the violation listed in these criticisms. Nevertheless, the Company disputes the criticisms. The 60 day policy issuing period is not set forth in either applicable statues or regulations. The criticism states that a long delay in issuing the policy is not in the interest of the consumer. There is no loss of coverage to an insured consumer. The statutory references cited by the examiner in this criticism, however, all deal entirely with payment of premium tax and none provide the authority for this criticism.

VI. SOUND UNDERWRITING PRACTICES

RSMo. 381.071.1(2) provides that "No title insurance policy shall be written unless and until the title insurer, title agent or agency has: ... (2) caused to be made a determination of insurability of title in accordance with sound underwriting practices." The General Assembly or the Director, by regulation, could define the term "sound underwriting practices," but they have not done so.

The Company acknowledges its statutory obligation to employ sound underwriting practices, and has historically defined the phrase "sound underwriting practice" as the acceptance of risk in a manner that will not unduly expose the Company to loss, with the potential of depleting its reserves to the detriment of other policyholders. The examiners, however, have attempted to apply this term much more broadly than the meaning of the term permits, by using it to describe practices that push more of the risk onto the policyholder, or to describe practices that, while perhaps not technically perfect, do not expose the Company unduly to liability.

The various transactions for which title insurance is provided are as unique as the individual tracts of land the policies insure. Underwriting is much more an art than a science. Just as each transaction and each party is unique, so are the title insurance issues that arise. It follows that the responses to these challenges by the insurer and its title insurance agent will be similarly varied. The Company and its agents strive to provide title insurance products and close transactions to the satisfaction of all parties.

See also General Position Statement No. IX, Unlawful Delegation of Legislative Power.

VII. INTENTIONALLY DELETED

VIII. FAILING TO PROVIDE EXTENDED COVERAGE TO OWNER'S POLICY UNDER $100,000 WHEN PROVIDED TO LENDER.

The reference to "company policy" appears to have been extracted by the examiner from a 1978 memorandum contained in the national Underwriting Guide. The Underwriting Guide is not intended to provide a mandate, but to identify general guidelines, subject to specific guidelines furnished by Regional/Divisional underwriting staff. Such is stated in the preliminary section of the Underwriting Guide as follows: "Your primary source of information and instructions should be the Divisional Counsel who is assigned to your area." In fact, subsequent and current instructions have been distributed from the Divisional Counsel to all agents.

Like other underwriters within the industry, the Company's practices were changed in the 1990's so that surveys are not always required in order to provide survey coverage to a lender. These changes were made to meet the needs of the Federal National Mortgage Association and the Federal Home Loan Mortgage Corporation. The secondary market deferred to title insurers to determine whether a survey was required in order to provide coverage in a loan policy. By segregating the risk levels, the Company minimized the cost and time delays to a consumer in obtaining surveys to satisfy their lender's requirements for coverage. The low loss history under loan policies for survey-related matters permitted the Company, like other insurers, to provide

coverage to a lender without a survey, but our loss history for survey matters with owners precludes the same treatment in owners' policies.

The 27 year old memorandum is a four page bulletin which focuses on "the information which justifies the absence of these exceptions". Several years after its issuance, it was determined that no information was necessary to justify the absence of the general survey exceptions in a loan policy only.

Contrary to the assertion that the Company failed to use sound underwriting practice, we believe it would be an unsound underwriting practice to accept survey risks to owners absent a survey or inspection of the land.

IX. UNLAWFUL DELEGATION OF LEGISLATIVE POWER

The General Assembly has delegated rule-making authority to the Director of the Department of Insurance, and the Company acknowledges that many of the issues raised by the examiners could properly be the subject of valid regulation, but to date, the Director has not addressed them.

The Company further acknowledges that the examiners have authority under law not only to apply the statute and regulations in their work, but also to formulate reasonable and logical extensions thereof. The examiners may not, however, regulate through their examination reports. To the extent that the Director has authorized them to do so, the Company believes it is an unlawful delegation of legislative power.

If the examiners encounter what they believe are violations of statute or regulation which have been known to the Department for many years, and never raised on Market Conduct Examination in the past, they should seek the issuance of a ruling or regulation on the subject, with notice to regulated companies and an opportunity to conform. To do less is probably violative of both the United States and Missouri Constitutions.

The following are the Company's responses to the examiners' specific findings. In the interest of brevity and efficiency, the Company does not re-state the examiners' findings verbatim, but, instead, either cites the appropriate section of the Report, references the applicable file or policy number, or, in the case of multiple criticisms of a particular transaction, summarizes the criticism.

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EXAMINATION FINDINGS

I. SALES AND MARKETING

A. Licensing of Agents and Agencies

1. LICENSING OF AGENCIES

Agency MO2072 obtained search information from Midwest Express Search LLC for use in a file. It is not apparent to the Company that RSMo 381.031.17, 18 and 19 imposes any duty upon an Agency or an Insurer to determine that a third party, from whom the Agency purchases a search product, is in compliance with licensing rules or regulations.

Possibly the examiner was reminded of RSMo 381.114.5., created by Senate Bill 894, which imposed a duty upon an Agency THAT delegates the title search to a third party, to obtain proof that the third party is operating in compliance with rules and regulations established by the Director. However, Section 381.114.5 was repealed. The repeal acted to restore the previous title insurance law which is the law that still presently governs. It contains no similar statute.

Agency MO2138: The Company recognizes that even though no penalty will attach, the Department declines to remove this criticism. Agency MO2138 insured property in Cass County, Missouri which the examiner believed to be outside the scope of the Agency Contract and categorizes as a licensing error. The examiner notes that the Agency was licensed by the Department, but indicates that the Agent may not issue policies outside the scope of its appointment by the Company. The Company appointed the Agency to act on behalf of the Company. The appointment with the Department was not limited or defined to certain geographical areas. The Company knows of no provisions in statutes or regulation for an appointment that is limited to geographical areas. The Company was aware that the Agency intended to do business in Cass County. A title plant agreement was entered into by this Agency with an Agency located in Cass County which also does business with the Company. The matter to which the examiner refers is a matter of contract between the Company and the Agent.

B. Marketing Practices

The examiners did not discover any unacceptable marketing practices.

II. UNDERWRITING AND RATING PRACTICES

A. Forms and Filings

1. "Standard Exceptions"

The Company disputes the criticism. See General Position Statement I.

2. **"Risk Rate"**

The Company elects not to contest those alleged violations agreed to between the Department and the Company.

B. **Underwriting and Rating**

1. **Direct Sales**

a. **Policy Exceptions**

Use of "generic" exceptions in loan policies that do not specifically identify recording information - various files in the Direct Operation

See General Position Statement No. III

General Exceptions and Special Exceptions in 1992 ALTA Loan Policy File No. 2601-200232602, 20029887, 20028900 and 20018222

The Company disputes the criticism as to use of non-filed forms. The forms and language used have been filed. The Company acknowledges that it may only use filed forms and believes it has done so. With our initial response we provided a copy of our transmittal letter with the Department's file stamp, evidencing that no particular Schedule A or Schedule B inserts were filed 14 years ago with 1992 forms. The letter stated that the Company intended to continue using all of its previously filed forms. The filed form language of pre-printed Schedule B "standard exceptions" appears in numerous Schedule B filed forms which were also provided to the Department again on 1-30-1997 to assist in their record keeping.

Copies of Schedule B of the cited policies do not deviate one word from the filed form pre-printed Schedule B "standard exceptions" language, the filing of which was acknowledged by the Department on 2-26-91. The filed form is not specifically limited to use with a certain policy form. If the Department continues to believe there is a violation, please illustrate on the policy copies provided, the language to which the Department objects.

Refer also to General Position Statement I.

b. **Risk Rate**

The Company elects not to contest those alleged violations agreed to between the Department and the Company.

c. **Failure to Timely Record**

See General Position Statement No. IV; the subsequent invalidity of SB 894 does not negate acts validly done while the law was in effect. Only 9 policies were not recorded within the statutory time, after SB894 was finally determined to be repealed. The Company objects to the inclusion

of the following files: 200211883, 200131777, 200134163, 200216983, 22425, 200215145, 200139066, 200134665, 200139569, 200211486, 200213378, 200213878, 200134665, 200212839, 200211056, 20028997, 200179710085, 20018222. The Company notes that of the remaining files to which the Company does not object, recording was delayed one day beyond the statutory timeframe on 3 files.

d. Vesting Issues and Other Miscellaneous Issues

Violations relating to vesting were to have been removed per the Department's letter of 9/25/08 but the criticisms appear in the report dated 12/1/08. No violation was to have been assessed on the vesting issue. As to all matters falling under this miscellaneous category, the Company generally refers to General Position Statement Numbers VI and IX and answers the particular criticisms as follows:

Inaccurate vesting of title – File No. 200139066

The policy vesting was typed incorrectly. However, the commitment was issued with the correct information. The lender's security instrument was executed properly. The typographical error on the policy did not result in prejudice to the insured lender and has since been corrected.

Enforceability of lien where title in fictitious name – File No.200212839

The criticism stated that the examination of title was not accurate and that the Company exercised an unsound underwriting practice. The Company disagrees. An examination of title was performed in accordance with RSMo 381.071. The Company was informed by the buyer (insured owner) and the lender that the buyer was in the process of being incorporated. The lender, not the Company, prepared its documents accordingly. The insured owner could not maintain a claim under the owner's policy for a matter created by that owner. Because the lender participated in representing that the insured was in the process of incorporating, the lender could not maintain a claim of innocence.

Title vesting – File No. 200211056

The criticism stated that the examination of title was not accurate and that the Company exercised an unsound underwriting practice. The Company disagrees. Examination of title was adequate and the deed of trust was appropriately executed by the party in title. The lender has not been impaired by the policy mistakenly having shown title incorrectly. The error occurred as a result of improper computer code input and has now been corrected.

Indemnity signed by Customer Service Supervisor – File 200210162

The Company denies that RSMo. 381.071.1.2 and 381.071.2 require that only an officer of the Company may sign letters of indemnity. As a supervisory employee, the "customer service supervisor" is authorized by the Company to sign indemnity letters. Such supervisor is a licensed insurance producer. The recipient of the indemnity letter may request an indemnity signed by an officer of the Company if they prefer, but we believe that the indemnity already

provided would be no less binding. An indemnity letter is one method by which a claim or potential claim may be resolved. It is not a policy of insurance and the use of an indemnity letter is within the definition of the business of title insurance.

Two of eight children identified in divorce decree but not heirship affidavit did not execute deeds - File No. 200212839

The Company concedes, but wishes to note that it provided the policy in reliance upon a sworn affidavit furnished by the seller to the Company as inducement to insure, which did not identify these two children as heirs of the decedent.

Mechanic's lien coverage given when not requested – File No. 200212839

The Company denies that it exercised an unsound underwriting practice. The owner was insured in the amount of consideration paid for the property. The Company is not obligated to insure the full amount of future improvements that may not be completed, particularly when not asked to do so. The examiner's objection is subjective and has no statutory basis. It is not uncommon for an owner to refuse additional owner's coverage under circumstances where the owner purchased the property prior to construction and obtained an owner's policy based on the land purchase price. The statutes do not mandate additional coverage that is purely elective.

The second criticism having been struck from the report, no response is required.

Loan exceeded purchase price – File No. 200210162

The Company disputes the criticism. The amount of the loan policy could indicate future improvements or other non-real estate collateral, not necessarily a mechanic's lien risk. The Deed of Trust was not a construction loan. While the Company committed to insure and was paid by an escrow company for our fees, the Company did not close the transaction and disburse payments. The Company customarily requires evidence of full satisfaction of existing indebtedness before exception for a lien, however we were unable to verify our receipt of the customary proof. In response to Crit J38, the Company noted to the Department examiner the concern on June 21, 2005 that instruments were misplaced by the examiner.

Policy dated to date of insured deed of trust and not date it was filed – File No. 20028997

The closing of the transaction took place out of state and the concern at the closing table was that the lender be reassured that it would receive title coverage on the date its deed of trust was executed, on 2/25/02. There was no "incorrect effective date" of policy in this instance. We do not object to extending the policy date to the subsequent recording, which has been done by endorsement provided to the customer.

Deeds of trust released based upon indemnity from new lender – File No. 200216004

The lender who closed the loan transaction has provided the Company with a blanket indemnity for the matters which they pay at closing. In reliance on the indemnity, policy was issued. Two

of the deeds of trust were satisfied by releases recorded prior to the time policy was issued. The third deed of trust was released by a release deed dated prior to the time policy was issued, but not recorded until subsequent to the time the policy was issued.

Examiner questions sound underwriting - File No. 20028900

The Company agrees with all examiner comments, with the exception that the Company denies that it violated the "spirit" of the lender's letter of instruction by inclusion of exception for unpaid taxes, inasmuch as the lender agreed to exception for the unpaid taxes and intended itself to later satisfy such indebtedness. In fact, a check with the Assessor's office indicates that the taxes were not paid by the insured lender until July 31, 2002 as to 1 tract, and until April 29, 2003 as to the remaining 3 tracts. The examiner's comments were without merit in regard to taxes.

Leasehold Interests insured to be subordinate – File No. 20029269

The documentation for closing was provided through out of state counsel for the Company. The examiner indicates that the Company provided coverage without basis and contrary to the actual state of title. The Company denies the criticism. Evidence of subordination, non-disturbance or attornment is not required to be recorded and the parties to the transaction elected to not place such matters of record.

Policy contained different creditor's rights endorsement than requested, an exception for tenants, and exceptions for instruments filed at closing securing the insured lender's loan – File No. 20029760

The creditor's rights endorsement provides more coverage than deletion of the creditor's rights exclusion, by way of affirmative assurances. For this reason, the lender did not object and has accepted its policy as issued. The examiner characterizes the substitution of an endorsement that provides more coverage than the insured requested as the "unilateral alteration of a contract", and as somehow prohibited by law. In the second matter, the lender knew of the tenants because their rents constituted part of the security for the loan. As such, the lender was agreeable to inclusion of the exception for the rights of tenants. The right to raise exception for matters created or known subsequent to the date of the commitment fall under the rights of the company set forth at No. 2 of the commitment cover.

Contrary to the criticism that exception was taken for instruments provided by the insured lender at closing, the Department has raised objection in other criticisms that the Company failed to raise exception for known matters, when reference is *not* made in the policy for additional security instruments, such as an assignment of rents and a financing statement, as was the case in File 2601-20028900. The Company has not heretofore experienced a claim from an insured lender, objecting to instruments constituting its own additional security and presented to the Company in closing. It would not be practical to ask that all instruction letters be amended to point out the obvious – the policy is not intended to protect the insured lender against matters created by and known to the lender and sent by the lender to closing for recording. The Company denies that it failed to determine insurability in accordance with sound underwriting.

2. POLICIES ISSUED BY INDEPENDENT AGENCIES

a. Policy Exceptions

Agencies MO2095, MO2061, and MO2086

The Company acknowledges that it may only use filed forms and believes its agents have done so. With the Company's initial response we provided a copy of our transmittal letter with the Department's file stamp, evidencing that no particular Schedule A or Schedule B inserts were filed 14 years ago with 1992 forms. The letter stated that the Company intended to continue using all of its previously filed forms. The filed form language of pre-printed Schedule B "standard exceptions" appears in numerous Schedule B filed forms, attached here to tab 1, which were also provided to the Department again on 1-30-1997 to assist in their record keeping. The first attachment- Loan Schedule B, (with the Department's file stamp dated 2-26-1991) shows the precise filed language mirrored by the criticized policies.

The policies are attached and do not deviate one word from the filed form pre-printed Schedule B "standard exceptions" language, the filing of which was acknowledged by the Department on 2-26-91. If the Department continues to believe there is a violation, please illustrate on the policy copies provided, the language to which the Department objects.

b. Risk Rate

The Company elects not to contest those alleged violations agreed to between the Department and the Company.

c. Failure to Timely Record – Agency No. MO2052, MO2072, MO2058, MO2072, MO2138 and MO2115

Please refer to General Position Statement No. IV. The Supreme Court's decision, while declaring SB 894 unconstitutional, did not declare invalid or unlawful, any recording made outside the 3 day period during the period between the enactment of the law and the date upon which it was struck down by the Court. It is on this basis the Company continues to object to the Department's citation of the following 8 files: 9541, 9599, 7210672-33765, 39822, 79841, 4982, 59972, 60105.

d. Extended Coverage – Agency Nos. MO2138, MO2073 and MO2086

See General Statement VIII.

e. Miscellaneous Issues

Disclosure of affiliated business relationship

File No. 7116: The examiner was furnished a copy of the disclosure signed by the seller on 3-2-02.
File No. 4982: The examiner was furnished a copy of the disclosure signed by the seller on 3-12-02.
File No. 8484: The examiner was furnished a copy of the disclosure signed by the seller on 7-25-02.
File No. 8647: The examiner was furnished a copy of the disclosure signed by the seller on 10-30-02.

In files 5338, 5201, 7728, 7906, 9392 and 5476, a copy of the affiliated business disclosure was requested from Reece & Nichols, the producer of business. The real estate file did not include a copy of the disclosure. It is not known if the disclosure was made and misplaced or not made. To reinforce the responsibility to disclose affiliated business relationships the Reece & Nichols CEO issued a memo on August 6, 2003. Additionally, each Reece & Nichols office, has posted signs in the reception area that identify Reece & Nichols, Kansas City Title and Plaza Mortgage and the Kansas City Title rate card effective 2002 discloses that Kansas City Title is an affiliate of Reece & Nichols.

In files 6657 and 10362, the joint venture partner, Homeservices (Wells Fargo), agreed to the responsibility for compliance with federal and state statutes. The agency was informed that disclosures are mailed by Wells Fargo to all customers from a central processing plant. Copies of the disclosures for the files were previously provided to the Department.

Builder allowed to deliver loan payoff to its lender - Agency No. MO2138, File 4982

By letter of May 15, 2008, the Department removed this criticism from the forfeiture list but asserted that the criticism will remain in the report. The Company believes that the criticism should be removed from the report.

Deed of Trust on other property not shown in Owner's policy; creek and road exceptions appear in policy; Examiner questioned adequacy of search – Agency No. MO2072, File No. 76351

The Company disagrees that the agent knowingly issued a commitment or policy without showing all liens of record. The examiner was advised in the criticism response that the second loan of $232,021.50 secured additional collateral on other property, which did not affect the insured land.

In the year 2002 covered by the examination, the Department had not yet issued the more recent bulletin prohibiting hold open commitments. This practice has been discontinued as a result of the "No-Action Request 2005-005" letter issued by the Department on June 15, 2005. Inasmuch as the premium of $150 was collected, lack of issuance of the policy *at the request of the insured* does not equate to lack of coverage.

The agent was unable to determine the exact location of the creek, but knew that a creek existed on the land or nearby. If the creek did not affect the insured land, then the insured's coverage

was in no way diminished. No evidence was presented at closing to indicate that the creek did not affect the land or that the insured objected to the exception. Since it did not diminish the insured's coverage and the insured did not object to the exception, it was not removed.

As a regular practice, the agent only uses the exception for the road "as traveled" when they are unable to locate any recorded documents granting the right to others, but have knowledge that a road exists. The examiner is under the misimpression that roads may only be established by a recorded easement.

The Company disagrees that the agent failed to perform an adequate search and maintain evidence in the file. Worksheets in the file indicate that the abstractor searched Lot 2 and that the Lot 1 commitment was marked up to save time. It is not necessary to maintain a copy of a plat in each file in order to evidence to the Department that an adequate search was performed.

Commitment and Policies prepared on basis of "letter report" – Agency No. MO2072, File No. 82087

The Company disagrees that an adequate search was not performed. The agent ordered an informational binder and received a search that included all items, including restrictions and easements. Although the provider of the search used the terminology "informational letter report", it was to distinguish it from a search that set forth requirements or a commitment to insure.

Examiner expresses concern that Agency may not have exercised sound underwriting in flip transaction, or that builder may not have known value of property conveyed or that end purchaser may have paid too much – Agency No. MO2072, File 82087

This Criticism was to have been struck from the report. A title policy does not insure monetary value of the land. Inasmuch as policies do not insure or guarantee land values, the insurer and agent are under no duty to assure that sellers and purchasers receive the benefit of their bargain. Flip transactions were less prevalent in early 2002 when the file was closed, but there was no indication of an unsound underwriting practice in this instance. Merely because the agent closed a flip transaction does not mean that the transaction is in any way improper, It is not prohibited by statute or regulation. Since the time of the subject closing the Company issued underwriting guidelines on flips. The agent adheres to these guidelines.

Owner's Amount of Insurance reflects vacant land acquisition and not subsequent improvements, Agency No. MO2072, File Nos. 39822 and 60105

The examiner has suggested that the agent apply the charge paid by the borrower for its lender's construction loan policy to increase the liability under the owner's policy, from that required under the contract for the purchase of the vacant land. The agent agreed to apply the charges in this manner and issued endorsements in these two files to increase the Owner's Amount of Insurance in September 2005. It should be noted that the examiner has indicated that it is not a sound underwriting practice to issue a policy substantially underinsuring the consumer while charging premium appropriate to a larger policy. No premium appropriate to a larger owner's

policy was charged to the owner. The premium charged to the owner was for the construction loan policy issued to the owner's lender. The agent re-characterized the payment to apply it instead to the owner's policy and issued the construction loan policy at simultaneous issue rate. There was no failure to insure in accordance with sound underwriting practices.

Settlement Statement did not reflect payment of $60 to broker – Agency No. MO2138, File 5476.

The agent agreed that it would be a better practice to reflect the $60 payment to the broker in the manner suggested by the examiner. The title plant law found at RSMo 381.071.1.2 however is not applicable to settlement services, which are separate from the determination of insurability. The title was determined to be insurable absent the agent providing a separate settlement service. The Company does not concede a violation of the federal RESPA law.

Joint tenancy not reflected on policy; one joint tenant executed the deed of trust and his signature was notarized, but his name did not appear on the face of the instrument as grantor – Agency No. MO2138, File No. 6626

The agent agrees that tenancy should be shown as joint tenancy in the policies, but there is no less coverage because of the absence of such reference. The examiner conjectures that it may prove an unsound underwriting practice to omit the name of one joint tenant as a grantor in the deed of trust. That joint tenant did sign the deed of trust and his signature was notarized, so the Company believes that the lien will be enforceable should he be the last to die. If all title holders predecease Mr. Z and if the deed of trust goes into default and if Mr. Z refutes the lien of the deed of trust as not intending to encumber his interest, the Company shall protect the insured lender by reformation of the deed of trust or otherwise as provided under the terms of the policy.

Policy Date – Cancelled Agency No. MO2097, File No. 44250

The Company agrees that a policy date later than the recording date which created the insured estate might potentially expose the Company to a greater risk. However, no claim for a matter created by the insured subsequent to the date it acquired title has been presented to the Company and the Company has suffered no loss.

Examiner could not determine means of physical access - Agency No. MO2071, File 46368

Neither Agency No. MO2071, nor Agency No. MO2072, have corresponding file numbers and the Company has not been furnished a copy of the criticism, which has been requested.

Agent did not issue construction loan, but held open at request of lender, Agency No. MO2072, File No. 62305

By letter of May 15, 2008, the Department removed this criticism from the forfeiture list but asserted that the criticism will remain in the report. The Company believes that the criticism should be removed from the report. In the year 2002 covered by the examination, the Department had not yet issued the more recent bulletin prohibiting hold open commitments.

This practice has been discontinued as a result of the "No Action Request 2005-005" letter issued by the Department on June 15, 2005. Inasmuch as the premium was collected, lack of issuance of the policy *at the request of the insured* does not equate to lack of coverage.

Examiner questions whether issuance of second owner's policy in accordance with sound underwriting practice – Agency No. MO2072, File No. 62305.

The initial 2000 policy was written when the owner acquired the vacant land in the purchase price of $31,500. The subject policy was written in 2002 for the amount of the owner's improvements, for $310,000. The request by the insured owner for the second policy was valid. The agent followed the Company's suggested practice by obtaining an affidavit from the owner, which induced the Company to insure on the basis that the owner had no knowledge of any matter which could form the basis of a claim under the policy. Further, the policy contains Exclusion to Coverage paragraph 3(b) for: "Defects, liens, encumbrances, adverse claims or other matters not known to the Company, not recorded in the public records at Date of Policy, but known to the insured claimant and not disclosed in writing to the Company by the insured claimant prior to the date the insured claimant became an insured under this policy." The file was examined and underwritten in accordance with sound underwriting practice.

The Department has indicated that the Company cannot sell two policies to the same owner for the same property for the same amount of coverage, and fails to see the distinction described above, where the first policy insured the vacant land and the second policy covers the value of the subsequently erected improvements, which are not for the same amount of coverage, nor a duplication. The Department has criticized other files for not including the value of contemplated subsequent improvements, where the agent received no request to do so.

Examiner questions sufficiency of examination – Agency No. MO2097, File No. 92136

The examiner found a notation on the chain of title that there is possibly a graveyard in or near the subdivision and is concerned "there is no indication in the file that continuing access to the graveyard has been assured", or if the examination of title was sufficient. The notation on the chain of title provided evidence of the search, examination of title, and consideration of this matter. The Company finds it difficult to imagine that if there is a graveyard in or near the subdivision that the developer of the subdivision failed to provide a means of access for visitation, other than unrecorded pedestrian access through residential lots. The examiner gives no indication of what recorded liens or other interests the agent failed to show in the owner's policy, but simply surmises that might be the case. The Company denies that it failed to determine insurability in accordance with the title plan law codified as RSMo 381.071.

The Department has indicated in letter dated May 15, 2008, that if the agent knew there was a graveyard in the vicinity of the property, the agent cannot fail to show that relevant matter that he knew may affect the title to the insured property. The Company disputes any suggested forfeiture where the Department has requested the Company show matters as exceptions to title that have been determined do not affect the title.

Examiner concerned that agent obligated to issue subsequent endorsements that were not issued, Agency No. MO2072, File No. 60105

The agent advised the lender that it had already issued the loan policy for the full amount of indebtedness secured by the insured deed of trust, precluding the need to provide periodic endorsements increasing the amount of liability at each draw as advances were made by the lender, or the necessity to charge for such endorsements. The large national lender did not object upon learning that it already had the coverage and would not incur further endorsement fees. The examiner objects to the agent's charge of a loan closing fee of $75 in addition to a settlement fee of $100, as if they are duplicative. The loan closing fee is the charge the settlement agent makes when it is requested by the lender to close the loan with the borrower, on behalf of the lender. The settlement fee is the charge the agent makes when it is requested to perform the settlement escrow between the seller and buyer, pursuant to their real estate contract. Because the performance of a loan closing involves services provided solely to the borrower, the charge for a loan closing is not lumped into the settlement fee. It has become an industry practice to charge separately for the loan closing fee because it is more equitable to the seller, who is not charged for and does not require those services. It also appears to be a good practice to break down the charge so that it is not an all-inclusive charge and accurately discloses the services provided.

Owner's Amount of Insurance reflects vacant land acquisition and not subsequent improvements, Agency No. MO2073 File No. 28067A

There was no indication that the insured requested that title be insured for the costs of acquisition and construction. The agent verified with the bank that the owner requested the owner's policy for the lot purchase only, which the owner had acquired 7 months previous to the secondary construction financing. The examiner indicates that the owner paid for a title policy with a face value of $388,000. No premium appropriate to a larger owner's policy was charged to the owner. The premium charged to the owner was for construction loan policy liability requested by the lender.

With regard to the comment that the policy raised improper standard exceptions, the Agent disagrees. The Bank performed the construction disbursing and was aware that mechanic's lien coverage would not be provided. Mechanic's lien coverage is not provided to an owner during construction because it was not the intent to protect an owner against nonpayment of bills the owner is ultimately responsible for. At closing the agent received a survey showing no improvements. After closing, once improvements were erected, the agent was furnished a survey showing the improvements. The survey exception was removed from the loan policy only at that time, on the basis of a request to do so from the lender. Any survey matter arising subsequent to the date the owner acquired title is ultimately already excluded by the terms of the policy, as an act of the insured. The owner or others on behalf of the owner erected the improvements. The agent did not provide deletion of the survey exception in the Owner's policy on the basis that doing so could potentially create an ambiguity. Such survey matters which are created by the insured owner subsequent to the date of policy are excluded from coverage and it was not the intent to insure otherwise. There was no failure to insure in accordance with sound underwriting practices.

C. Failure to Issue Policy in a Timely Manner

By letter dated September 17, 2007, the Department will not assess a violation for the violations listed in this criticism. Nevertheless, the Company disputes the criticism. The 60 day policy issuing period is not set forth in either applicable statutes or regulations. The criticism states that a long delay in issuing the policy is not in the interest of the consumer. The statutory references cited by the examiner in this criticism, however, all deal entirely with payment of premium tax.

In further response, the Company incorporates herein General Position Statement No. IX-Unlawful Delegation of Legislative Power.

III. CLAIMS PRACTICES

A. CLAIM TIME STUDIES

Acknowledgment Time

20 CSR 100-1.10(1) (G), 20 CSR 100-1.030(1) and Section 375.1007, RSMo [failed to acknowledge claim in 10 working days]

CLAIM 114446

The Company has absolutely no record of receiving the October 24, 2000 letter. This is substantiated by the fact that the Insured was not heard from until 8/9/02, at which time the Insured requested a Letter of Indemnity (which is NOT a claim situation). The Company resolved the issue by issuing a letter of indemnity shortly after the request was received. A request for a letter of indemnity is not an actual claim of loss, but rather, only a statement that there is the *potential* that a claim may be made in the future. Pursuant to any Letter of Indemnity issued, the terms, provisions and conditions of the referenced policy are incorporated into, and made a part of the letter. Accordingly, if any *actual claim* of priority over the insured deed of trust is made, the party to whom the letter of indemnity was issued must notify the Company within 30 days of the date such a claim of priority is made. When the Letter of Indemnity was requested, there was no *actual claim of loss of priority.*

Accordingly, since this was a request for a letter of indemnity and not a claim, the request is not subject to the same time regulations required under a claim.

CLAIM 103127

20 CSR 100-1.030 (1) requires that "[e]very insurer, upon receiving notification of claim from any first-party claimant within ten (10) working days, shall acknowledge the receipt of the notification unless payment is made within the period of time. If an acknowledgment is made by means other than writing, an appropriate notation of this acknowledgment shall be made in the claim file of the insurer and dated. Notification given to an agent of an insurer shall be notification to the insurer."

The Department alleges that the insured "made a claim" on June 21, 2000 which was not responded to within 10 working days. It does not appear that the policy-issuing agent was informed of the letter from the insured at that time, and did not send a response within 10 working days.

First, it is important to note that the June 21, 2000 letter *did not constitute a "notification of claim"* and therefore, *even if* the Company had received "notice" of it, the Company was not obliged under the cited Regulation to acknowledge it as such. According to 20 CSR 100-1.010(1)(G), "Notification of claim means any notification, whether in writing or by other means acceptable under the terms of an insurance policy to an insurer or its insurance producer, by a claimant, which reasonably apprises the insurer of the facts pertinent to a claim." 20 CSR 100-1010 (1) (B) defines "claim" as (1) a "request or demand for payment of a loss which may be included within the terms of coverage an insurance policy" or (2) "[a] request or demand for any other payment under the policy, such as the return of unearned premium or nonforfeiture benefits."

The insured's June 21, 2000 letter referenced the marked-up commitment which apparently indicated that Items 11 and 12 were to have been deleted and requested a "revised" policy. This communication did not meet the definition of a "claim" as defined by the above cited Regulation, in that it did not demand payment of loss within the coverage of the policy, nor did it demand any other payment under the policy. Accordingly, since the insured did not present a "claim" as defined by the Regulations, the letter was not a "notification of claim" and the insurer was not required by the cited Regulation to respond within 10 working days

Determination Time

20 CSR 100-1.050(1) (A) [failed to accept claim within 15 working days after submission of all forms necessary to accept the claim]

CLAIM 28102767

NOTE: Original criticism (Criticism no. T40) alleged a violation of 20 CSR 100-1.040. However, since the examiner comment related to an alleged failure to notify the insured within 15 working days whether the claim was accepted or denied, it is assumed the Department intended to cite 20 CSR 100-1.050(1) (A) for this claim.

The correspondence received on 10/31/00 *did not constitute a "claim" as defined by the Regulations or under the terms of the policy.* This was a letter of indemnity request, not a claim tender. Letters of indemnity require underwriter investigation and approval. Letters of Indemnity are considered underwriting matters and are NOT CLAIMS because there is no loss, which is required under the Conditions and Stipulations of the policy.

Further, 20 CSR 100-1010 (1) (B) defines "claim" as (1) a "request or demand for payment of a loss which may be included within the terms of coverage an insurance policy" or (2) "[a] request

or demand for any other payment under the policy, such as the return of unearned premium or nonforfeiture benefits."

A request for a letter of indemnity is not an actual claim of loss, but rather, only a statement that there is the *potential* that a claim may be made in the future. Pursuant to any Letter of Indemnity issued, the terms, provisions and conditions of the referenced policy are incorporated into, and made a part of the letter. Accordingly, if any *actual claim* of priority over the insured deed of trust is made, the party to whom the letter of indemnity was issued must notify the Company within 30 days of the date such a claim of priority is made. When the Letter of Indemnity was requested, there was no *actual claim of loss of priority.*

Accordingly, since this was a request for a letter of indemnity and not a claim, the request is not subject to the same time regulations required under a claim.

CLAIM 100617

The Company did not provide a response to the tender of defense within 15 working days. However, the Company did obtain and record an agreed extension of time for the insured to answer the petition. The matter that was the subject of this claim was not covered under the terms of the policy.

CLAIM 110538

The basis of the Department's assertion in this case is that the Company received the claim from the agent on 5/2/02, received the form on 5/23/02, and accepted the claim on 10/15/02. It alleges this is a violation of the 15 day period required to accept a claim after all necessary information is received.

In this claim, substantial factual and legal investigation was required to determine whether or not the Insured had any legal access to the property. The nature and extent of the claim was not determined until at least 6/17/02, when the Insured informed the Company that the gravel road which the adverse claimant claimed provided legal access was not available to the insured, as its use was not permanent or transferable. This information was confirmed in a letter from the agent received on 6/24/02. Then on 6/24/02, well within the 15 day period after establishment of the nature and extent of the claim, the Company sent letters to the adverse claimant and a potential seller of access to the insured. The Insured was copied on both of these letters. Receipt of these letters constituted an implied acceptance of liability to establish legal access to the insured land, as evidenced by the fact that the Company would *not* have contacted either of these parties if there had been no liability.

As demonstrated by the insured's letter of 10/16/02, the Insured had no question that the Company had accepted its claim and was seeking to establish legal access, as it is permitted to, under the policy. The Company's retention of counsel on 10/15/02 was NOT the acceptance of the claim. Rather, retention of counsel was done only after the Company's own efforts to establish legal access became ineffectual.

CLAIM 118886

The Company does not dispute this violation.

CLAIM 96766

The basis of the Department's allegation appears to be that the Insurer incorrectly denied the claim based upon a misleading exception in the policy for the lis pendens. The Department suggests that all information needed to determine the extent of the claim was available as of 6/13/01, and the Company was therefore obliged to accept the claim 15 days thereafter. This is not correct. The Company did not deny the claim, but rather, took the position that any claim at that point in time was premature since enforcement of the judgment related to the lis pendens was not being sought against the Insured, and in fact, had not even been entered as of the date of the claim. Although judgment was later entered, enforcement against the Insured was never sought, and the Insured was never named in a lawsuit. The Company correctly reserved the right to deny coverage based upon the exception, but chose to resolve any future (ripe) claim against the Insured's land by resolving the potential claim as part of a settlement including other adjacent properties. The Insured was well informed throughout the process and never complained about the Company's actions. The 15 day period never began to run since the nature and extent of the claim was never clear, as an adverse claim was never made against the Insured.

CLAIM 112561

Although coverage was not rendered 15 days after the submission of forms necessary to accept or deny the claim, certain unusual events contributed to the delay in response on this file:

All necessary documents received 10/28/02. In November 2002 there was a claims re-organization within the Company. This file was sent to Chicago from the Texas claim office. File was reassigned to an administrator in Chicago. Shortly thereafter, in early 2003, this claims administrator went on medical leave. A coverage decision was rendered shortly after claims administrator returned to work.

Investigation Time

Section 375.1007(3), RSMo and 20 CSR 100-1.040 [failed to complete investigation in a timely manner]

CLAIM 104696

The insured did not return the information requested in the acknowledgement letter. Additionally, information needed to be obtained from our agent. Although information was requested from both our insured and our agent in a timely manner, neither provided the information to us in a timely manner. However, on the same day all the necessary information was obtained, the insured was notified that the claim had been resolved.

CLAIM 118886

The Company does not dispute this violation.

CLAIM 112561

Although coverage was not rendered 15 days after the submission of forms necessary to accept or deny the claim, certain unusual events contributed to the delay in response on this file:

All necessary documents received 10/28/02. In November 2002 there was a claims re-organization within the Company. This file was sent to Chicago from the Texas claim office. File was reassigned to an administrator in Chicago. Shortly thereafter, in early 2003, this claims administrator went on medical leave. A coverage decision was rendered shortly after claims administrator returned to work.

20 CSR 100-1.050(1) (c) [failed to notify insured in writing every 45 days regarding status during pending investigation]

CLAIM 112561

Although the insured was not notified in writing every 45 days as to status, certain unusual events contributed to the delay in response on this file:

All necessary documents received 10/28/02. In November 2002 there was a claims re-organization within the Company. This file was sent to Chicago from the Texas claim office. File was reassigned to an administrator in Chicago. Shortly thereafter, in early 2003, this claims administrator went on medical leave. A coverage decision was rendered shortly after claims administrator returned to work.

B. Unfair Settlement and General Handling Practices

Sections 375.1007(4) and (6), RSMo [failed to effectuate prompt, fair and equitable settlement of the claim] and [denied w/o conducting a reasonable investigation]

CLAIM 97237

The Company did attempt to effectuate a prompt, fair, and equitable settlement of this claim. The insurer is not a licensed appraiser. Therefore, the Company retained an opinion of a licensed appraiser to determine the Insured's actual loss. The appraisal reflected that the insured's loss was $2,328. Upon receipt of the insured's objection to the appraisal, the Company contacted the appraiser to request that the appraiser review his approach. The appraiser specifically states that he did consider the destruction of some of the landscape. The appraiser states: "I made the determination that the dwelling, pool and patio area and other improvements such as rock landscaping were unaffected by the impression of a road easement along the south property line. I am well aware of the loss of some trees and underbrush that were improvements to the land. The deciduous evergreen tree growth added value to the land to make it worth the amount I

established as Market Value prior to the impression of the easement." The appraiser did account for the improvements made to the insured property, and the letter from the appraiser was forwarded to the Insured. The Company did not ignore the Insured's request for payment of loss of the value of improvements removed from the easement area, as is alleged in the Department's criticism. The Company paid for a licensed appraiser to determine the insured's loss.

As to the allegation that "the insurer has denied the claim in part without first conducting a reasonable investigation," the Company also DISAGREES. The Company completed a reasonable investigation of the insured's claim and paid for the loss in value to the insured property caused by the existence of a right of way which was not excepted or excluded under the terms of the policy. The insured stated that the Company did not consider the loss of improvements caused by the right of way deed. This is incorrect. As stated above, the Company employed a licensed appraiser to determine the loss caused to the insured property by virtue of the right of way deed. Upon receipt of the Insured's request that the Company re-consider his loss due to the loss of improvements, the Company contacted the licensed appraiser to re-consider his appraisal in light of the loss of improvements. As explained above, the appraiser stated that he had considered the loss in value caused to the property by removal of these improvements.

Sections 381.071.2 and 375.1007(3) & (6), RSMo 20 CSR 100-1.040 [issued an "inappropriate" LOI and investigation was inadequate and poorly documented]

CLAIM 28102767

It does not appear that RSMo 381.071.2 applies in this situation. Instead, RSMo 381.071 (4) (1) applies. RSMo 381.071 (4) (1) states that "[Section 381.071] shall not apply to: 1. A title insurer assuming liability through a contract of reinsurance." We offered to either reinsure the property or indemnify another underwriter because we already had liability for the judgment. The offer to issue a new policy free and clear of the judgment was made because we already had liability under the terms of the policy we had already issued.

This is a Letter of Indemnity situation and not a true claim. A letter of indemnity requires underwriter investigation and approval. Letters of Indemnity are considered underwriting matters and are not claims because there is no loss, which is required under the Conditions and Stipulations of the Policy. Because this is a Letter of Indemnity request, and not a claim, the request is not subject to the same rules as required under a claim.

A request for a letter of indemnity is not an actual claim of loss of priority, but rather, only a statement that there is the potential that a claim may be made in the future. Pursuant to any letter of indemnity issued, the terms, provisions and conditions of the referenced policy are incorporated into, and made a part of the letter. Accordingly, if any actual claim of priority over the insured deed of trust is made, the party to whom the indemnity was issued must notify the company within 30 days of the date such claim is made. When the letter of indemnity was requested, there was no actual claim of loss of priority.

CLAIM 103127

The Department alleges a violation of 375.1007(3), failing to adopt and implement reasonable standards for the prompt investigation and settlement of claims. This allegation is based upon the agent's statement that it was unaware of the disposition of the case and whether it had released the escrowed funds. The disposition of the case and the status of the funds have no bearing on the Company's title insurance policy obligations to the Insured. The Company recognized its policy obligations, and ratified the Commitment issued by its policy-issuing agent. There is no evidence that the escrowed funds were not returned. (The amount escrowed in 1992 was over $146,000---surely someone would have commenced a lawsuit if the funds had not been returned). The Company is not responsible to regulate the escrow activities of the agent. The escrow and lawsuit have no bearing on the "integrity of Chicago Title's policy," as alleged by the Department. The Company's policy is one of indemnity and the Company has not undertaken to guarantee the agent's escrow practices or resolution of court proceedings. The Company contractually agreed to indemnify the Insured from loss or damage resulting from covered matters stated in the policy.

A review of the file indicates that a diligent investigation and resolution of the policy issue was conducted. The matter was complicated due to the fact that the commitment numbered items did not coincide with those on the final policy. It required some inquiries to determine which exception needed to be deleted. This was further complicated by the agent's inability to locate its file. This is not surprising, however, given the fact that the closing in question occurred almost 10 years before the Insured notified us of the issue. Had the Insured been more diligent in bringing the issue to the agent's attention, the matter could have been more efficiently resolved. Once the issue was finally clarified by the agent in a letter dated 9/14/02, the Company promptly issued a policy endorsement on 9/24/02, in resolution of the matter. Importantly, the beneficiary of the deed of trust in question never sought enforcement of it. Further, the Company was never provided with a copy of a refinance commitment, as requested, that would have allowed the Company to issue an indemnification letter. The Company therefore, has not failed to "adopt and implement reasonable standards for the prompt investigation and settlement of claims arising under its policies." The Insured's letter dated 6/21/00 did not constitute a claim, but rather, it was a request for a "revised" policy. However, even if it were a claim, the Company promptly and reasonably investigated the matter and resolved the situation.

Section 375.1007(4), RSMo [failed to effectuate prompt, fair and equitable settlement of the claim in which liability had become reasonably clear]

CLAIM 103127

As stated in the above response, there were difficulties in determining what exceptions the agent had agreed to delete due to the fact that the closing upon which the claim is based, occurred almost 10 years prior. The issues were clarified on 9/14/02. After the clarification, an endorsement was given, which resolved the matter. Contrary to the Department's assertions, all of the required information was not provided to the Company at any time or by any party prior to 9/14/02.

A review of the file indicates that a diligent investigation and resolution of the policy issue was conducted. The matter was complicated due to the fact that the commitment numbered items did not coincide with those on the final policy. It required some inquiries to determine which exception needed to be deleted. This was further complicated by the agent's inability to locate its file. This is not surprising, however, given the fact that the closing in question occurred almost 10 years before the Insured notified us of the issue. Had the Insured been more diligent in bringing the issue to the agent's attention, the matter could have been more efficiently resolved. Once the issue was finally clarified by the agent in a letter dated 9/14/02, the Company promptly issued a policy endorsement on 9/24/02, in resolution of the matter. Importantly, the beneficiary of the deed of trust in question never sought enforcement of it. Further, the Company was never provided with a copy of a refinance commitment, as requested, that would have allowed the Company to issue an indemnification letter. The Company therefore, has not failed to "adopt and implement reasonable standards for the prompt investigation and settlement of claims arising under its policies." The Insured's letter dated 6/21/00 did not constitute a claim, but rather, it was a request for a "revised" policy. However, even if it were a claim, the Company promptly and reasonably investigated the matter and resolved the situation.

20 CSR 100-1.020(1) and 375.1007(4) [failed to fully disclose to first party claimants all pertinent benefits, coverage or other provisions of the policy]

CLAIM 96766

The Department suggests that the Company's 8/7/01 letter did not correctly represent the responsibilities of the Company and failed to disclose "all pertinent benefits, coverages or other provisions of the policy." The Company's letter referenced the existence of a Schedule B exception for a recorded lis pendens. The Company does not agree with the Department's conclusion that the agent agreed to insure over the lis pendens and failed to add the language to the policy. The Company was presented the final policy containing the exception, and analyzed its coverage obligations accordingly. This was communicated to the Insureds by notifying them that the Company reserved the right to deny the claim based upon this exception. The Company ultimately decided to resolve the adverse claim, notwithstanding the exception, due to its issuance of policies (through the same title-issuing agent) for a number of adjacent tracts without an exception for the lis pendens. However, this decision was not made solely because of the handwritten notation (which may very well have been made after the issuance of the policy). Therefore, the 8/7/01 letter adequately and reasonably explains the coverages and policy provisions at issue to the Insureds.

CLAIM 106766

The Department observes that a deed was unrecorded, and alleges that unconveyed fractional interests in the property would cause the property to be unmarketable. The Company agrees that it would be liable under the policy to defend the Insured from the adverse title claims of the purported holders of any interest in the property, and to indemnify it from any loss arising therefrom. However, no purported fractional interest holder has made such allegations, and the Company has provided a letter of indemnification to allow the Insured to refinance its property. There is no indication that the Insured has attempted to market its property or that any other title

insurer has declined to rely on the Company's indemnification. The Company is not obliged under the policy to prove that there is no title defect. This is an improper understanding of the nature and purpose of title insurance. The title insurance policy indemnifies the Insured against loss arising from title defects, it does not guarantee that there are, or will be, no defects. The Department apparently believes the Company must remove any title defect or pay loss under the terms of the policy. However, this misstates the Company's policy obligations.

CLAIM 112561

It appears that the legal description insured included too much property. The mistake of including the additional 19.21 feet was initially made in April of 1996 when it was included in the deed from the developer prior to the sale to our insureds. This mistaken legal was carried over when our insureds purchased. No one was aware that the legal contained too much land until the insureds attempted to sell their property several years later. The error was discovered because the party the Insureds attempted to sell the land to already owned the property in question. Because the Insured's buyers already owned that 19.21 feet, the purchase price to the insureds Buyer was reduced. The insureds then made a claim for a "loss." However, their claim was denied because there was no loss. Our investigation revealed that the insureds never intended to purchase the additional 19.21. Further, the Insureds could not show to the Company that they paid more for the land they purchased in 1996. They never bargained for the additional land they received in 1996, therefore, they could not claim a loss when they were unable to sell that portion of the land. The Department contends that the Company is "obliged to establish title as insured." However, there is no such obligation when there was no indication that the insured ever intended to purchase the 19.21 feet, nor did they pay any value for the 19.21 feet of land as a part of the purchase of their property. The Department contends that the Company failed to disclose all pertinent benefits, coverages, etc. However, this is incorrect because the Company determined that the "loss" allegedly suffered was *not covered* under the terms of the policy, and the denial letter informed the insured of this.

Section 375.1007(6), RSMo [denied claim without conducting a reasonable investigation]

CLAIM 106766

It does not appear that the Insured ever presented a title insurance claim. 100-1.010 RSMo. Defines "claim" as (1) "A request or demand for payment of a loss which may be included within the terms of coverage of an insurance policy," or (2) "a request or demand for any other payment under the policy, such as for the return of unearned premium or nonforfeiture benefits." The Insured demanded neither, but instead, wanted the possible outstanding marital interest resolved. (This was because the possibility of outstanding marital interests required the need for a letter of indemnity each time the Insured refinanced). The title insurance policy is a contract of indemnity, so unless the holder of the purported outstanding marital interest was asserting an interest in the property adverse to title as insured, there is no loss for which the Company is required to indemnify the Insured. In the absence of such a claim of interest in the property, the Company satisfied any obligation to the Insured by providing the indemnification letter to facilitate its refinance. It should be noted that the Insured was given the opportunity to present a claim under the policy when the Company sent the Notice of Claim form to the Insured. The

Insured did not return the Notice of Claim form, or ever otherwise demand payment under the policy.

20 CSR 100-1.030(2) [failed to make a response within 10 working days to correspondence to which a response was reasonably expected]

CLAIM 106766

The Department alleges a violation of 20 CSR 100-1.030(2), which requires that "[a]n appropriate reply shall be made within 10 working days on all communications from any claimant which reasonably suggests that a response is expected." A (first-party) "claimant" is "any individual, corporation, association, partnership or other legal entity asserting a right to payment arising out of the occurrence of a contingency or loss covered by an insurance policy."

The communication from the Insured received on 11/12/02 was received at the time that the claim file was being transferred from the Company's Dallas Claim Center to the Chicago Claim Center. It is the Company's policy to respond to such requests, and in the ordinary course of its business affairs, the Company would have responded in writing that a new indemnification letter would be provided very shortly upon receipt of a request by the new claims administrator in Chicago. However, it does not appear that a written response was made. While the Company regrets the lack of a written response to its Insured, it has not violated the cited statute, as the Insured was not a "claimant" as defined by the Regulations, since it never asserted the right to payment. As noted above, the Insured was given the opportunity to present a claim under the policy (rather than a request for a letter of indemnity), but the Insured never sent back the Notice of Claim form or ever otherwise demanded payment under the policy.

IV. CONSUMER COMPLAINTS

20 CSR 100-1.030 and Section 375.1007(2), RSMo [failure to acknowledge complaint within 10 working days from receipt]

Complaint 03A000077 Policy 7210672-15211

The Company does not dispute this violation.

V. UNCLAIMED PROPERTY

The Company filed no reports during the review period.

VI. FORMAL REQUESTS AND CRITICISMS TIME STUDY

A. Criticism Time Study

Section 374.205.2(2), RSMo and 20 CSR 300-2.200(5) (6) [Company failed to respond to criticisms within 10 calendar days]

The Company DENIES this criticism. The Department's Report states that "[t]he Company did not respond to 93 criticisms within 10 calendar days." However, the Company always provided responses to criticisms in a timely manner. The examiners provided criticisms in a rotation of items. These items were answered as promptly as possible and the examiners were asked if it caused them any inconvenience if they could not be answered immediately. Since the examiners provided no complaints to any new extensions, we feel that this criticism is an unjust assessment of the situation.

Both the RSMo and CSR state that non-production within 10 days "shall be deemed a violation of this rule, *unless the insurer can demonstrate to the satisfaction of the director that the requested record cannot reasonably be provided within ten (10) calendar days."*

For the majority of the production of the claim files, as well as for responses to criticisms, the requested file/response could not be reasonably provided in 10 days for the following reasons: Prior to the 2003 Market Conduct Exam, claim files for the state of Missouri were handled in the Company's Texas claim Center. However, in November of 2002, the Company transferred the handling of Missouri claims to the Chicago Claim Center. Therefore, the 2003 Exam took place in the Chicago Claim Center. Accordingly, because the Chicago Center had just recently started handling Missouri claims, a majority of the files requested to be examined were in storage in Texas.

The process the Company utilized to get the files and responses as expeditiously as possible was as follows: First the Examiners provided a list that requested certain files for examination. The Company then determined which were in Texas and which were in Chicago. The Chicago files were given immediately to the examiners. The files from Texas, however, had to be retrieved out of storage and then shipped to Chicago. Once received in Chicago, they were then given to the Examiners to review.

If a Criticism was issued on a file, the file and the criticism were returned to the Administrator who had primary responsibility for the handling of the claim. In a majority of cases, the files examined were primarily handled in the Texas office. It was only for criticisms on the new claims *opened* in Chicago that were responded to by someone in the Chicago Center. Therefore, the majority of the files and the criticisms were shipped back to Texas in order for someone who knew about the file to respond to the Criticism.

Accordingly, it is clear that for a majority of the claim files requested, as well as for a majority of the responses to criticisms, the records required could not reasonably be provided within 10 calendar days as they had to be shipped back and forth between Texas and Chicago.

Further, the Report shows that "the Company gave no response to 34 Criticisms." The Company DENIES this allegation, as the Company's records show that the Company provided a written response to every Criticism issued by the Department.

B. Formal Request Time Study

Section 374.205.2(2), RSMo, and 20 CSR 300-2.200(5) (6)

The Company DENIES this Criticism. The Company is unsure as to what the Department is claiming here. The Report states the Company did not "respond to four (20) formal requests within ten (10) calendar days. The numbers quoted in the Report appear to show 20 is the number (11 to 30 days—2 plus 30 to 99 days—18). In any event, the Company DISAGREES that there was a violation of Section 374.205.2(2), RSMo, and 20 CSR 300-2.200(5) (6) for any of the formal requests. Both the RSMo and CSR state that non-production within 10 days "shall be deemed a violation of this rule, *unless the insurer can demonstrate to the satisfaction of the director that the requested record cannot reasonably be provided within ten (10) calendar days.*"

For the majority of the production of the claim files, as well as for responses to criticisms, the requested file/response could not be reasonably provided in 10 days for the following reasons: Prior to the 2003 Market Conduct Exam, claim files for the state of Missouri were handled in the Company's Texas claim Center. However, in November of 2002, the Company transferred the handling of Missouri claims to the Chicago Claim Center. Therefore, the 2003 Exam took place in the Chicago Claim Center. Accordingly, because the Chicago Center had just recently started handling Missouri claims, a majority of the files requested to be examined were in storage in Texas.

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Respectfully submitted,

Ticor Title Insurance Company

By:_____
Michael J. Rich
Vice President and Regulatory Counsel

WACC

STATE OF MISSOURI

DEPARTMENT OF INSURANCE

MARKET CONDUCT EXAMINATION REPORT

OF

CHICAGO TITLE INSURANCE COMPANY INC.

NAIC #50229

Home Office

Mark Twain Tower

106 West 11th Street, Suite 1800

Kansas City, MO 65105

December 1, 2008

EXAMINATION NUMBER: 0407-55-TLE

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FOREWORD

This market conduct examination report of the Chicago Title Insurance Company is, overall, a report by exception. Examiners cite errors the Company made; however, failure to comment on specific files, products, or procedures does not constitute approval by the Missouri Department of Insurance, Financial Institutions and Professional Registration (DIFP).

Examiners use the following in this report:

"Company" or "Chicago Title" to refer to Chicago Title Insurance Company

"DIFP" or "Department" to refer to the Missouri Department of Insurance, Financial Institutions and Professional Registration;

"NAIC" to refer to the National Association of Insurance Commissioners;

"RSMo." to refer to the Revised Statutes of Missouri;

"CSR" to refer to the Code of State Regulations.

SCOPE OF EXAMINATION

The DIFP has authority to conduct this examination pursuant to, but not limited to, Sections 374.110, 374.190, 374.205, 375.445, 375.938, 375.1009 RSMo. and Chapter 381 of the Missouri Insurance Code. In addition, Section 447.572, RSMo, grants authority to the DIFP to determine compliance with the Uniform Disposition of Unclaimed Property Act.

The purpose of this examination is to determine if Chicago Title Insurance Company complied with Missouri statutes and DIFP regulations and to consider whether Company operations are consistent with the public interest. The primary period covered by this review is January 1, 2002, through December 31, 2002; however, examiners include all discovered errors in this report.

This report focuses on general business practices of Chicago Title Insurance Company. The DIFP has adopted the NAIC published error tolerance rate guidelines. Examiners apply a 10 percent (10%) error tolerance criterion to underwriting and rating practices and a seven percent (7%) tolerance criterion to claims handling practices. Error rates greater than the tolerance suggest a general business practice.

This examination is primarily directed to the following company functions:

Sales and Marketing,
Underwriting and Rating,
Claims Practices,
Consumer Complaints, and
Unclaimed Property

Chicago Title Insurance Company has its statutory home office and its main administrative office at 106 West 11th Street, Suite 1800, Kansas City, MO 65105. Chicago Title Insurance Company maintains a regional claims office at the Chicago Title office at 171 N. Clark Street, 8th Floor, Chicago, IL 60601. Chicago Title Insurance Company also has agent offices throughout the State of Missouri. Since the title policy files are maintained at the offices of the issuing agents, the underwriting review was conducted at those offices.

Examiners conducted this examination at the regional claims office in Chicago, and at numerous other agent offices in Missouri.

EXECUTIVE SUMMARY

Examiners found the following areas of concern.

1. The Company is using forms that are not filed with the Department. Specifically they are often using standard exceptions that are not a part of their filed form.

2. The Company is using rates other than those filed with the Department of Insurance.

3. The Company is using general exceptions in place of specific exceptions.

4. The Company failed to timely record the security instrument three business days after the transaction.

5. The Company failed to issue policies in a timely manner.

EXAMINATION FINDINGS

I. SALES AND MARKETING

A. Licensing of Agents and Agencies

1. LICENSING OF AGENCIES

The examiners found the following errors in their review.

Midwest Express Search, LLC, is not a licensed title agent. Agency MO2072 obtained base title information from Midwest Express Search, LLC, for the commitments and policies issued in file 82087. The agency is in the business of title insurance and, as a title insurance agency, may conduct the business of title insurance only by and through title insurance agents. The agency may not employ the services of agents or agencies who are not licensed.

Reference: Section 381.031.17, .18 and .19, RSMo

Agent MO2138 insured a property in Cass County, Missouri. Cass County is not included in the area covered by the agent's issuing agreement. It is possible that the underwriter would seek to recover from the agent all damages on any policy written on property not within the agent area. Though licensed as an agent by the Department, an agent may not act to issue title insurance policies outside the scope of its appointment by the underwriter. The following policies were outside the scope of his appointment.

Policy	Simultaneous Policy	Agency
7210672-39087	7210773-70515	MO2138
7210672-46286	7210773-83243	MO2138
7210672-34601	7210773-62223	MO2138

B. Marketing Practices

The examiners did not discover any unacceptable marketing practices.

II. UNDERWRITING AND RATING PRACTICES

A. Forms and Filings

During the Underwriting and Rating Practices reviews, the examiners reviewed the Company's policy forms and filings to ensure they were filed with the Department when required and to ensure the forms did not contain ambiguous or misleading language.

1. The loan policy as issued includes certain "standard exceptions." Chicago Title Insurance Company has adopted certain standard exceptions in various forms filed with the Department. No standard exceptions are a part of the 1992 ALTA loan policy filed by Chicago Title with the Director of the Department.

The agent and the underwriter may not use forms that have not been filed with the Director of the Department. The examiners reviewed nine policy files where the Company had included the standard exceptions in a 1992 ALTA loan policy. Details regarding these errors are contained in the underwriting portion of the examination.

Reference: Sections 381.071.1.2, 381.211, RSMo, and 20 CSR 500–7.100(3) (A)

2. The Company is using its filed risk rate as if it is the minimum risk rate. Their agency agreements authorize use of the National Risk Rate. The underwriter is not allowed to use a risk rate other than that filed with the department. Details of the individual underwriting files containing this error are contained in the underwriting portion of the examination.

Reference: Section 381.181, RSMo, 20 CSR 500-7.100(1)(D), (2) and (3)(B), and DIFP Bulletin 93-09.

B. Underwriting and Rating

Examiners reviewed the title policies issued by the Company to determine the accuracy of rating and adherence to prescribed underwriting criteria, Missouri statutes, and DIFP regulations.

This section contains results from reviews of the Company underwriting and rating practices of title insurance. Policies were selected from a listing of all policies issued during the examination period.

1. DIRECT SALES

a. Policy Exceptions

The Company issued the policies listed below with the following exceptions:

- Easements, setback lines or servitudes, if any, reflected on the plat of said land or otherwise appearing in the public records.

- Covenants, conditions and restrictions, if any, appearing in the public records, but omitting any such covenant or restriction based on race, color, religion, sex, handicap, familial status or national origin, unless and only to the extent that said covenant (a) is exempt under Chapter 42, Section 3607 of the United States Code, or (b) relates to handicap but does not discriminate against handicapped persons.

These exceptions are not proper special exceptions. They are generic in form and not specific to the property or the transaction.

The insurer is not necessarily obliged to show all known and recorded matters as exceptions in a loan policy of title insurance. However, the insurer may not attempt to avoid liability by insertion of a generic exception.

The insurer, the agency, and the agent are obliged to determine insurability in accordance with sound underwriting practices.

Reference: Section 381.071.1.2, RSMo.

File No.	Agency
2601-200135081	Direct
2601-200135512	Direct
2601-200137736	Direct
2601-200137326	Direct
2601-200221441	Direct
2601-200226263	Direct
2601-200230738	Direct
2601-200236781	Direct
2601-200227571	Direct
2601-200227153	Direct
2601-200230225	Direct
2601-200235142	Direct

File No.	Agency
2601-200226644	Direct
2601-200233222	Direct
2601-200213378	Direct
2601-200231144	Direct
2601-200239247	Direct
2601-200233729	Direct
2601-200241107	Direct
2601-200224400	Direct
2601-200134665	Direct
2601-200135986	Direct
2601-200215145	Direct
2601-200138126	Direct
2601-200132270	Direct
2601-200131224	Direct
2601-200210603	Direct
2601-200217454	Direct
2601-200130634	Direct
2601-200139569	Direct
2601-200222425	Direct
2601-200223373	Direct
2601-200227990	Direct
2601-200228904	Direct
2601-200136832	Direct
2601-200136367	Direct
2601-200229781	Direct
2601-200229293	Direct
2601-200139066	Direct
2601-200220498	Direct
2601-200219939	Direct
2601-200218440	Direct
2601-200138602	Direct
2601-200216439	Direct
2601-200211486	Direct
2601-200212395	Direct
2601-200221907	Direct
2601-200224892	Direct
2601-200228446	Direct
2601-200225806	Direct
2601-200232120	Direct

File No.	Agency
2601-200216439	Direct
2601-200217942	Direct
2601-200213878	Direct
2601-200223898	Direct
2601-200133751	Direct
2601-200235952	Direct
2601-200237928	Direct
2601-200211056	Direct

The following loan policies include general exceptions. Chicago Title has adopted certain standard exceptions in various forms filed with the Department, but there are no standard exceptions as part of the 1992 ALTA loan policy filed by Chicago Title with the Director of the Department. In addition, the general exceptions are incorrectly labeled as special exceptions in these policies.

The agent and the underwriter may not use forms that have not been filed with the Department.

Reference: Section 381.211, RSMo, and 20 CSR 500-7.100(3)(A)

File No.	Agency
2601-200232602*	Direct
2601-020028997	Direct
2601-020028900	Direct
2601-020018222**	Direct

b. Risk Rate

The following policies use incorrect risk rates. No title insurer may use or collect any premium except in accordance with premium schedules filed with the Director.

Reference: Section 381.181, RSMo, and 20 CSR 500–7.100

Policy No.	Risk Rate on Policy	Actual Risk Rate	Agency
2601-200217942*	$52.80	$88.00	Direct
2601-200223898*	$69.36	$115.00	Direct
2601-200225363*	$4.00	$119.75	Direct

Policy No.	Risk Rate on Policy	Actual Risk Rate	Agency
2601-200232120	$52.08	$86.80	Direct
2601-200212839	$74.40	$67.20	Direct
2601-200212839*	$22.80	$48.32	Direct
2601-200211056	$10.05	$54.88	Direct
2601-200210162	$14.40	$37.00	Direct
2601-200214290	$182.22	$107.04	Direct
2601-020029909	$5850.00	$9112.24	Direct
2601-020028900*	$916.26	$1085.94	Direct
2601-020017377*	$1430.00	$858.00	Direct

This policy did not accurately reflect the total amount charged for the policy.

Reference: Section 381.181, RSMo, and 20 CSR 500-7.100

File No.	Total Charge on Policy	Actual Total Charged	Agency
2601-020017737***	None (endorsement)	$2085.00	Direct

c. Failure to Timely Record

The agency acted as settlement agent and failed to record the security instrument for the following transactions within three business days.

Reference: Section 381.412.1, RSMo.

File No.	Disburse. Date	Recorded	Days to Record	Agency
2601-220211883	1/31/02	2/7/02	4	Direct
2601-200131777	12/7/01	12/14/01	5	Direct
2601-200134163	1/2/02	1/8/02	5	Direct
2601-200216983	4/23/02	6/7/02	30	Direct
2601-200219939*	6/6/02	6/18/02	8	Direct
2601-200222425*	6/21/01	6/27/02	4	Direct
2601-200223898*	7/23/02	8/1/02	7	Direct
2601-200228446*	8/21/02	8/27/02	4	Direct

File No.	Disburse. Date	Recorded	Days to Record	Agency
2601-200220908	6/6/02	6/19/02	9	Direct
2601-200230225*	8/30/02	9/16/02	11	Direct
2601-200232602*	9/17/02	9/25/02	6	Direct
2601-200231603*	9/30/02	10/15/02	9	Direct
2601-200215145	03/26/02	04/15/02	14	Direct
2601-200139066*	01/23/02	03/1/02	25	Direct
2601-200134665	12/12/01	12/31/2001	12	Direct
2601-200139569*	02/26/02	03/12/2002	10	Direct
2601-200211486*	02/13/02	02/20/2002	5	Direct
2601-200213378*	03/25/02	04/2/2002	6	Direct
2601-200213878	02/28/02	03/19/2002	13	Direct
2601-200134665*	12/12/01	12/31/2001	14	Direct
2601-200228446*	08/21/02	08/27/2002	4	Direct
2601-200212839*	05/14/02	06/05/2002	16	Direct
2601-200211056*	02/22/02	04/03/2002	26	Direct
2601-020028997*	02/27/02	03/08/2002	7	Direct
26311079710085**	8/3/01	07/02/02	358	Direct
2601-020018222***	11/14/01	7/23/02	251	Direct

d. Vesting and Other Miscellaneous Issues

Field Size: 11,651
Sample Size: 83
Type of Sample: Systematic
Number of Errors: 10
Error Rate: 12%
Within Dept. Guidelines: No

NOTE: A star (*) after a policy number denotes this policy was cited earlier in the underwriting sample for a different error, but was only counted once in the number of errors.

Two Stars (**) after a policy number denotes a policy with a face value of $1,000,000.00 or more.

Vesting title inaccurately is not a sound underwriting practice. The title policy incorrectly vests title to Kxxxxx A. Pxxxxxx. The Company omitted the name of any owner from the vesting of title.

The agent and the insurer are obliged to determine insurability in accordance with sound underwriting practices.

Reference: 381.071.1.2, RSMo.

File No.	Agency
2601-200139066*	Direct

The following policy file vests title in a fictitious name. A fictitious name is not an entity capable of holding or conveying title in the state of Missouri. The deed of trust executed by the borrower may not be readily enforced as a lien against the property.

Reference: Section 381.071.1.2, RSMo

File No.	Agency
2601-200212839*	Direct

Title at closing appeared to vest in Party A. The Company issued a loan policy vesting title in "Party A and Party B, husband and wife, and Party C" The Company disagreed with the criticism but indicated the vesting is a typing error and the lender has not been impaired.

File No.	Agency
2601-200211056*	Direct

The Company gave its letter of indemnification dated 04/19/2002 to an agent of another title insurer, indemnifying the agent for potential losses related to two unreleased mortgages, on the condition that the agent notify Chicago Title of any notice of tender of claim.

The Company gave its letter of indemnification dated 05/28/2003 to Commonwealth Land Title on the same issues, indicating that the basis for liability of Chicago Title was an owner's policy of title insurance. The examiner notes that no policy affording coverage to the vested owner has been issued by Chicago Title.

Reference: Section 381.071.1.2 and 381.071.2, RSMo

File No.	Agent
2601-200210162*	Direct

The property in this file had been owned by a man and wife. They were divorced in 1992. They continued to hold title to the real estate as tenants in common. According to recitals contained in the decree of dissolution entered in the Circuit Court of Jackson County, Missouri, on 08/19/1992, they had adopted five children. The Husband died intestate and without remarrying in April 2002, and title to his interests passed to his heirs. Affidavits recorded by Chicago Title name six individuals as the children of the husband and those six individuals executed the recorded deeds, but two of the children named in the decree of dissolution are not accounted for by the affidavits and did not execute the deed of conveyance. Title on the record appears to be unmarketable. Marketability of title is a primary coverage afforded by the policy of title insurance. The examination of title was not adequate.

The Company failed to determine insurability in accordance with sound underwriting practices. It agreed with this criticism and indicates it will take steps to correct the real estate records.

Reference: 381.071.1.2 and 381.071.2, RSMo.

File No.	Agency
2601-200212839*	Direct

The insured deed of trust is for an amount substantially greater than the purchase price. The deed of trust indicates on its face that money loaned was in part for construction purposes. The lender's instructions requested that its policy be issued with a pending disbursements clause. There is no indication the Company objected to the request for a loan policy with a pending disbursements clause, but the Company issued the policy without a disbursements clause.

The Company failed to issue the policy as agreed and failed to offer adequate coverage to the insured.

Reference: Sections 381.071.1.2 and 381.071.2, RSMo

File No.	Agency
2601-200212839*	Direct

The loan in the following transaction was $35,000.00 more than the purchase price, an indicator of a mechanic's lien risk. The Company issued its policy of title insurance without exception for any of the three mortgages shown in the commitment and without any exception for the apparent specific risk of mechanic's liens. A release of first mortgage is in the file but has not been recorded. The file contains no evidence of satisfaction of the second and third deeds of trust. The file does not include any executed settlement or statement, a reconciliation of an escrow transaction, copies of checks drafted to the seller or to secured lenders, or any assurance from any party that proper payments were made to complete the closing. The file contains no underwriting analysis to explain issuance of the policy without exception.

Reference Sections 374.205, 381.071.1.2, RSMo, and 20 CSR 300-2.200

File No.	Agency
2601-200210162*	Direct

The following policy was issued with an incorrect effective date. The policy was issued with the date 2/25/02, when it should have been issued with the date 3/8/02. This abbreviates the coverage afforded the insured. The Company agreed and indicated they would issue an endorsement correcting the date of the policy.

Reference: Section 381.071.1.2, RSMo

File No.	Agency
2601-20028997*	Direct

The title was encumbered by three earlier mortgages. The Company insured the new mortgage showing title free of the three earlier mortgages but had no proof that any of the three earlier mortgages had been satisfied. In fact Chicago Title had no written statement from any party that any of the three earlier mortgages had been satisfied or would be released. Chicago Title did not require a release as a condition for removal of the earlier mortgages as exceptions to title. The file contains no underwriting notes explaining the decision to remove the earlier deeds of trust.

Reference: Section 381.071.1.2, RSMo

File No.	Agency
2601-200216004	Direct

The Company recorded three deeds of trust, each for a separate tract of land and each securing the same loan in the amount of $2,057,000.00. The Company failed to use

sound underwriting practices in the following manner:

- The policy, as issued, describes all of the land but only one of the mortgages. Two of the mortgages were omitted from Schedule A.

- The policy makes no exception for three assignments of rents, and for two financing statements, all of which were recorded as a part of the insured transaction.

- The policy references but inaccurately describes two requests for notice of foreclosure recorded as a part of the insured transaction. (The references are at items 13 and 18.)

- The policy includes an exception for general taxes for the year 2000. The commitment to insure indicated that certain general taxes were unpaid for the years 2000 and 2001. The policy was issued in 2002. The last examination of general taxes in the file at time of policy was dated 01/03/2002. Assuming that certain taxes remained unpaid for the years 2000 and 2001, and knowing that taxes for the year 2002 were not yet due and payable, the exception for general taxes should have been for the year 2000 and subsequent years and should have been specific as to which years applied to which parcels. Any exception for taxes for any year prior to 2002 probably violated the spirit, if not the letter, of the lender's letter of instruction dated 01/30/2002. The Company should have updated its examination of the general taxes prior to agreeing to the terms of the letter of instruction. A later examination of the general taxes dated 10/18/2003 indicates that all general taxes for the years 2000 and 2001 were paid by the later date.

Reference: Section 381.071.1.2, and 381.071.2, RSMo.

File No.	Agency
2601-20028900*	Direct

The policy insures a mortgage executed by the owner of the fee simple interest. The fee simple interest is encumbered by a lease, and the leasehold interest is encumbered by a substantial mortgage. The policy, by its terms, insures that the interests of the lessee and its lender are subordinate to the interests of the insured lender.

Both the lease and the interests of the leasehold lender were matters of record several years prior to the insured deed of trust. There is no indication in this file that the

interests of the lessee and its lender have been subordinated to those of the lender covered by this policy. There appears to be no basis for the affirmative coverage that the leasehold interests are subordinate.

The Company provided coverage without basis and contrary to the actual state of title. It failed to determine insurability in accordance with sound underwriting practices.

Reference: Section 381.071.1.2, and 381.071.2, RSMo.

File No.	Agency
2601-20029269*	Direct

By letter of 8/12/02, the Company's national Business Unit in Atlanta, GA instructed the office to issue a policy of title insurance in accordance with a commitment to insure that had been marked up by counsel for the lender. As a condition for closing the transaction, the Company had agreed to issue its policy of title insurance in strict compliance with the marked-up commitment to insure. The Company agreed to delete the creditors' rights exclusion from the policy. The creditors' rights endorsement issued with the policy does not delete the exclusion. The final policy issued by the Company contains an exception for the rights of tenants as tenants only. That exception was not contemplated by the commitment as marked up. The final policy includes exceptions for a financing statement and for an assignment of leases and rents. These exceptions were not included in the commitment as marked up.

Reference: Section 381.071.1.2, RSMo

File No	Agency
2601-020029760***	Direct

2. POLICIES ISSUED BY INDEPENDENT AGENCIES

a. Policy Exceptions

The following owner's policies include four general exceptions. Chicago Title has adopted certain standard exceptions in various forms filed with the Department. There are no standard exceptions as part of the 1992 ALTA loan policy filed by Chicago Title with the Department. When issuing an owner's policy for an amount under $100,000.00, Chicago Title's underwriting policy is to eliminate the general exceptions in Schedule B of an owner's policy.

The following files include owners' policies in which the Company has incorrectly shown the standard exceptions.

Reference: Section 381.071.1.2, RSMo

Policy No.	# General Exceptions	Agency
7210672-28653 7210773-57944	4	MO2095
7210672-31642 7210773-61942	4	MO2095
7210672-41686 721-773-88059	4	MO2095
7210672-16531 7210773-48531	4	MO2095
7210672-05891	5	MO2061
7210773-24762	5	MO2086

The policy fails to make exception for the building lines and easements created by the recorded plat. It is not sound underwriting practice to fail to show known exceptions to title.

Reference: Sections 381.071.1.2 and 381.071.2, RSMo

File No.	Agent
020112940	MO2072

b. Risk Rate

Chicago Title agencies are using national risk rates from the 1980s to determine the split between the agency and the Company. This is correct according to their agency agreement. They are listing the actual risk rate charged, including the commission on the policy. This is consistent with 20 CSR 7.100(1)(D) and is consistent with the actual charge for the policy.

However, it also means the risk rate filed with the Department is not the rate they are charging. The Company is charging a premium different from that risk rate filed with the Department.

Reference: Section 381.181, RSMo, and 20 CSR 7-100

File	Gross Premium	Commission	Net	Total Charge Shown on Policy	Risk Rate Shown on Policy	Agency
10029	$50.00	$35.00	$15.00	$50.00	$50.00	MO2058
10075	$265.00	$185.50	$79.50	$460.00	$175.00	MO2058
10229	$175.00	$122.50	$52.50	$320.00	$105.00	MO2058
9213	$105.00	$73.50	$31.50	$230.00	$240.75	MO2058
9289	$240.75	$168.52	$72.23	$290.75	$50.00	MO2058
9495	$50.00	$35.00	$15.00	$410.00	$470.00	MO2058
9541	$470.00	$329.00	$141.00	$520.00	$185.00	MO2058
9599	$185.00	$129.50	$55.50	$330.00	$50.00	MO2058
9820	$50.00	$35.00	$15.00	$50.00	$461.00	MO2058
9826	$461.00	$322.70	$138.30	$656.00	$265.00	MO2058

The following policies use an incorrect risk rate. No title insurer may use or collect any premium except in accordance with the premium schedules filed with the Director.

Reference: Section 381.181, RSMo, and 20 CSR 500–7.100.

File	Total Charged	Risk Rate on Policy	Actual Risk Rate	Agency
14723A	$165.00	$10.00	$4.00	MO2089
17177A	N/C	$10.00	$4.00	MO2089
18425	$165.00	$10.00	$4.00	MO2089
18498	$165.00	$10.00	$4.00	MO2089
18571	$165.00	$10.00	$4.00	MO2089
18872CC	313.00	$10.00	$113.08	MO2089
19155	293.00	$128.00	$70.19	MO2089
19443A	$165.00	$10.00	$4.00	MO2089
45896	$259.00	20.16	110.30	MO2095
1252	$237.00	52.80	88.00	MO2095
30-413	$278.40	59.28	69.36	MO2095
7903	$321.60	28.48	152.00	MO2095
10-659	$318.40	66.02	74.64	MO2095
43-993	$415.20	40.16	49.44	MO2095
20-443	$225.00	15.60	62.10	MO2095
10288	$279.00	113.20	67.92	MO2138
39822	650.00	98.40	4.99	MO2072
46368	510.00	100.00	59.64	MO2072
59972	382.50	120.40	71.88	MO2072
82055	292.50	122.80	85.20	MO2072
62305	220.00	298.00	178.80	MO2072
76152	225.00	107.50	30.00	MO2072
82501	282.50	77.20	19.95	MO2072
130332	150.00	76.64	21.19	MO2097
6626		143.20	85.92	MO2138
8783	370.00	74.62	86.68	MO2138
199-041	87.50	5.00	86.86	MO2061

These policies do not accurately reflect the total amount charged.

Reference: Section 381.181, RSMo, and 20 CSR 500-7.100

File No.	Total Charge on Policy	Actual Total Charged	Premium	Risk Rate	Agent
79257	330.00	205.00	163.00	104.00	MO2072
79394 (M)	90.00	75.00	7.50	4.00	MO2072
79394(O)*	808.50	740.00	469.00	187.60	MO2072
022049	90.00	630.00	7.50	4.00	MO2072
62305(O)	300.00	220.00	700.20	298.00	MO2072
62305(M)*	90.00	75.00	7.50	4.00	MO2072
67968	647.00	803.00	379.00	232.40	MO2072

c. Failure to Timely Record

The agency acted as settlement agent and failed to record the security instrument for the following transactions within three business days.

Reference: Section 381.412, RSMo.

File No.	Disbursement Date	Recorded	Days to Record	Agency
J02-3719	8/30/02	9/9/02	5	MO2052
85041	9/30/02	10/8/02	4	MO2072
10075*	9/27/02	10/15/02	12	MO2058
9541*	3/27/02	4/10/02	10	MO2058
9599*	4/23/02	4/23/02	7	MO2058
7210672-33765	2/8/02	3/12/02	8	MO2072
020109907	11/22/02	12/2/02	6	MO2072
79394	07/30/02	None	-	MO2072
39822	8/8/01	None	-	MO2072
78427	9/18/05	None	-	MO2072
79841	1/16/02	1/24/02	6	MO2072
6626*	8/16/02	08/23/02	6	MO2138
4982	3/12/02	3/21/02	7	MO2138
67968*	7/12/02	7/18/02	4	MO2072
59972	2/8/02	2/19/02	7	MO2072
60105	2/22/02	3/13/02	13	MO2072
02-1617	7/10/02	7/17/02	5	MO2115
02-1947	9/18/02	9/24/02	4	MO2115

d. Extended Coverage

It is the Underwriting practice of Chicago Title to provide extended coverage on an owner's policy issued for a face amount of less than $100,000.00 and covering a residential property whenever a simultaneous loan policy is issued providing extended coverage to the lender. The Company failed to provide that extended coverage in the following files. This is a violation of its own underwriting guidelines.

File No.	Agency
6203	MO2138
8209*	MO2138
8647	MO2138
8484*	MO2138
7906	MO2138
7728*	MO2138
8947	MO2138
6073	MO2138
5913	MO2138
59972*	MO2138
10288*	MO2138
14678*	MO2073
4802	MO2073
27939	MO2073
02-679*	MO2086

e. Miscellaneous Issues

Field Size:	45,825
Sample Size:	381
Type of Sample:	Systematic
Number of Errors:	24
Error Rate:	6.3%
Within Dept. Guidelines:	Yes

NOTE: A star (*) after a policy number denotes this policy was cited earlier in the underwriting sample for a different error, but was only counted once in the number of errors.

The following files contain transactions where the Title Company failed to disclose its affiliated business relationship with the broker to the party paying the cost of the title insurance.

Kansas City Title, Inc., is a wholly owned subsidiary of Reece & Nichols Realtors, Inc., which is a wholly owned subsidiary of HomeServices of America, Inc. HomeServices Lending, which sometimes does business under the name Plaza Mortgage Services, is owned in part by HomeServices of America, Inc., and in part by Wells Fargo Home Mortgage.

Reece & Nichols Realtors, Inc., acted as broker in both sides of this sale transaction. Reece & Nichols Realtors, Inc., is a producer within the meaning of Section 381.031.15, RSMo, and is required to disclose its affiliated business relationship with Kansas City Title to the party paying the costs of the title insurance provided by Kansas City Title.

The examiner is unable to identify the required disclosure in this file.

Reference: Section 374.205, RSMo, and 20 CSR 300-2.200

File No.	Policy No.	Agency
7116	7210672-38892 7210773-70250	MO2138
5338	7210672-34607 7210773-6229	MO2138
5201	7210773-47664 7210672-28466	M02138
4982	7210773-42553 7210672-28374	MO2138
7728*	7210773-79262 7210672-42695	MO2138
7906	7210672-42654 7210773-67342	MO2138
9392	7210672-46961 7210773-93288	MO2138
5476	7210773-47814 7210672-29603	MO2138
8484*	7210672-46473 7210773-83492	MO2138
8647*	7210672-46286 7210773-83243	MO2138

Kansas City Title, Inc., is a wholly owned subsidiary of Reece & Nichols Realtors, Inc., which is a wholly owned subsidiary of HomeServices of America, Inc. HomeServices Lending, which sometimes does business under the name Plaza Mortgage Services, is owned in part by HomeServices of America, Inc., and in part by Wells Fargo Home Mortgage.

HomeServices Lending is the insured lender in this transaction. HomeServices Lending is a producer within the meaning of Section 381.031.15, RSMo, and is required to disclose its affiliated business relationship with Kansas City Title to the party paying the costs of the title insurance provided by Kansas City Title.
The examiner is unable to identify the required disclosure in these files.

Reference: Section 374.205, RSMo, and 20 CSR 300-2.200

File No.	Policy No.	Agent
10362	7210773-93585	MO2138

Kansas City Title, Inc., is a wholly owned subsidiary of Reece & Nichols Realtors, Inc., which is a wholly owned subsidiary of HomeServices of America, Inc. HomeServices Lending, which sometimes does business under the name Plaza Mortgage Services, is owned in part by HomeServices of America, Inc., and in part by Wells Fargo Home Mortgage.

HomeServices Lending is the lender named in the insured deed of trust in this transaction. Reece & Nichols Realtors, Inc., was the realtor in this transaction. Both Reece & Nichols Realtors, Inc., and HomeServices Lending are producers within the meaning of Section 381.031.15, RSMo, and are required to disclose their affiliated business relationship with Kansas City Title to the party paying the costs of the title insurance provided by Kansas City Title.

The examiner is unable to identify the required disclosures in this file.

Reference: Sections 374.205 and 381.141, RSMo, and 20 CSR 300-2.200

File No.	Policy No.	Agency
6657	7210672-38761 7210773-70116	MO2138

The selling builder in this transaction had a construction loan with a balance of $144,251.00 that was to be paid from escrow. The agent did not deliver funds for payoff of the existing mortgage directly to the lender, but instead released the check for payoff of the existing mortgage to the builder seller, who had been the borrower in the satisfied mortgage.

It is not a sound underwriting practice to release payoff of the existing mortgage to the borrower for eventual delivery to his lender.

File No.	Agency
4982*	MO2138

The title agent knowingly issued an owner's title insurance policy or commitment to insure without showing all outstanding, enforceable recorded liens or other interests against the title which is to be insured. The settlement statement shows a second loan for $232,021.50, which is not addressed in the file or included as an exception in the policy. There is no copy of the sale contract in the file. The file was closed without closing instructions from the lender in the second mortgage.

This file also contains information that the agent received a premium of $150.00 in December of 2000 but failed to issue a policy.

The Company used two exceptions in the policy without evidence that they pertained to the property.

Because an exception for a road "as traveled" was included, the title search should have included a search for the road easement. The easement should be researched and addressed in the file to verify the exception.

The title insurance policy was written without an adequate search of the title. The agent used a prior commitment for "lot 1" of the same subdivision and changed the lot number to "lot 2" without researching the title for lot 2. (The file did not contain a copy of the plat or a survey.) A later marked-up commitment indicates two exceptions that should be "deleted." However the typed commitments that follow do not delete the exceptions; they use the same exceptions contained in the commitment for lot 1.

The agent failed to use sound underwriting practice in determining the insurability of title. In addition the agent failed to preserve and maintain evidence of the examination of title.

Reference: Sections 381.071.1.2, 381.071.2, and 381.071.3, RSMo. See also DIFP Bulletin 05-05.

File No.	Policy No.	Agency
76351	7210773-56428 7210672-33640	MO2072

The commitments and policies in this file were prepared from title information supplied to the agency in the form of a letter report. The letter report does not purport to be an examination of title or to contain information sufficient for preparation of an owner's policy of title insurance.

The information in this file is not sufficient to reasonably establish that all matters known or recorded and affecting the title could be reported in an owner's policy of title insurance. The agent, the agency, and the underwriter are obliged to show all known and recorded matters affecting title when issuing an owner's policy of title insurance.

The examination of title was not adequate to satisfy the obligation to insure in accordance with sound underwriting practices.

Reference: Section 381.071.1.2, and 381.071.2, RSMo.

File No.	Agent
82087*	MO2072

The policies in this file were issued at the conclusion of a two-part or "flip" transaction, the first part of the sale occurred pursuant to a contract dated 01/15/2002, with a sale price of $224,900.00, and the second part of the sale occurred pursuant to a contract dated 01/22/2002, with a sale price of $327,000.00, a price almost 150 percent of the price in the first contract. The seller in the first contract was a home builder who would be well informed as to the value of real estate and not likely to significantly under-price the property sold. Both sales were closed on the same day.

Flip transactions, especially transactions in which the second sale price is substantially higher than the first, represent greater than normal title insurance risk.

There is no indication in this file that any extra precautions were taken in underwriting the risk. It is not sound underwriting practice to fail to consider significant risk related issues.

File No.	Agent
82087*	MO2072

The Company insured the purchaser for an amount less than the costs of acquisition and construction. There is no indication that the purchaser expressed any desire that title be insured for an amount less than the costs of acquisition and construction. By issuing the owner's policy for less than the amount of acquisition and construction, it is likely that the agency caused the owner to be underinsured by a substantial margin. Because the additional cost to the insured would be nil or minimal, and in the absence of a separate instruction to the contrary, the insured owner who paid the premium for the larger policy is likely entitled to the larger policy. It is not in the interest of the insured to obtain inadequate coverage.
It is not a sound underwriting practice to issue a policy substantially underinsuring the consumer while charging premium appropriate to a larger policy.

Reference: Section 381.071.1.2, RSMo.

File No.	Agent
39822*	MO2072
60105	MO2072

The cooperating broker in this transaction was entitled to a commission of $2,670.00, the amount shown on the settlement statement. However, the payment made from escrow to the broker and identified as commission was $2,730.00. The $60.00 difference appears to be a commission paid to the broker by the provider of a homebuyer's warranty.

The provider of the homebuyer's warranty may or may not be permitted to split its fees in the manner indicated, but the agent paying funds from escrow is required to show what is paid and to whom. The settlement statement does not accurately reflect this particular transaction and would appear to be in violation of applicable HUD regulations.

Reference: RESPA, §8(b), 12 USCA §2607(a-b), 24 CFR §3500.14

File No.	Agent
5476	MO2138

One of the joint tenants is not named as a grantor in the caption of the insured deed of trust. Absent reformation of the deed of trust, it appears that the insured lender has security as to only that portion of the joint tenancy held by one of the joint tenants. In the event that the joint tenant not named as a grantor should be first to die (and assuming that the joint tenancy remains in place as originally formed), the lender may be left with an unsecured loan.

Absent specific instructions from the lender, it may prove an unsound underwriting practice to fail to comment on the omission of a joint tenant as a grantor in the insured mortgage. (There is some indication that the lender did not believe the other joint tenant to be a purchaser of the property. It appears the lender was mistaken.)

Reference: Sections 381.071.1.2 and 381.071.2, RSMo.

File No.	Agent
6626*	MO2138

The following policy was dated after the correct date, causing the underwriter to assume greater risk than intended. This is not sound underwriting practice

Reference: Section 381.071.1.2, RSMo.

File No.	Date Recording	Policy Dated	Correct Policy Date	Agent
44250	12/21/01	9/10/02	12/21/01	MO2097

There is no indication in this file of any appurtenant right to use the private right of way. Actual access to the property is by way of a private right of way, but there is no indication in this file of any appurtenant right to use the private right of way. Use of a private right of way when adjacent to a highway may indicate that access to the highway is limited or prohibited. The examination of title is not sufficient to rebut the indication of no access to the highway. The examination is not adequate to satisfy the obligation to insure in accordance with sound underwriting practices.

Reference: Sections 381.071.1.2 and 381.071.2, RSMo

File No.	Agent
46368	MO2072

The agency closed this escrow transaction for a construction loan in April 2001. The agency committed to insure the construction loan for $245,000.00 and charged $895.00 for lender's coverage title insurance in the amount of $245,000.00. The agency has never issued the loan policy form the April 2001 transaction. The Company failed to issue the policy as agreed.

Reference: See DIFP Bulletin 05-05

File No.	Policy	Agent
62305	7210773-50332 7210672-19817	MO2072

The insured owner acquired title to the land in 2000 and was insured at that time on an owner's policy issued by Chicago Title. A second owner's policy was issued for the same property and the same owner dated 1/16/02. It is not ordinary practice to issue a second owner's policy of title insurance to the same insured. The underwriting policies of Chicago Title require that extra precautions be taken before issuing an owner's policy to any insured more than six months after acquisition. There were no notes in the underwriting file explaining the decision to insure an owner more than a year after acquisition. In the event of a claim, the owner would be covered under both policies, resulting in a duplication of coverage. It is unlikely that the Company would pay the claim twice.

Reference: Section 381.071.2, RSMo

File No.	Policy	Agent
62305*	7210773-50332 7210672-19817	MO2072

The chain of title in the file does not extend to a date earlier than July 1985. The earliest deed of conveyance examined in the file was recorded in 1991. A title plant notation on the chain of title indicates that there is possibly a graveyard in or near the subdivision, but there is no indication in the file that continuing access to the graveyard has been assured. The file does not contain a copy of any earlier title examinations of the property. The earliest recited exception to the title was recorded May 15, 1992. The period of examination in this file was not sufficient to assure that all outstanding recorded liens or other interests against the title have been reported. The agent and insurer failed to show all relevant matters on the owner's policy of title insurance

Reference: Section 381.071 RSMo

File No.	Policy No.	Agent
92136	7210773-44867 7210672-17975	MO2097

The agency closed the owner's purchase of real estate plus financing of the purchase and a construction loan in an escrow transaction on February 22, 2002. The lender provided the agency with a set of loan instructions indicating that specific endorsements would be required in the initial policy of title insurance, that periodic

endorsements acknowledging later construction disbursements and reporting changes in title including any mechanic's liens would be needed along with a final location endorsement after completion of construction. The instructions also advised the title agent that any fees for endorsements, additional title work and survey must be collected by the agent in advance. The agent charged the buyer title fees including a "loan closing fee" of $75.00 in addition to a settlement fee of $100.00. The agent later advised the lender that the periodic endorsements requested would not be available because the policy had already been issued. The endorsement requested is specifically designed for use where a policy has already been issued. The agent failed to issue the policy as requested.

Reference: Section 381.071.1.2, RSMo

File No.	Policy No.	Agent
60105*	7210773-75119 7210672-33074	MO2072

The owner insured by the following policy spent a total of approximately $436,000.00, including costs of construction, to acquire the property, but was insured on the owner's policy for only $60,500.00. There is no indication that the purchaser expressed any desire that title be insured for an amount less than the costs of acquisition and construction. The owner is underinsured by a substantial margin. In addition, the owner's policy paid for a title insurance policy with a face value of $388,000.00. The policy they received contained improper standard exceptions. In addition, the policy failed to accept the second deed of trust. These are not sound underwriting practices.

Reference: Section 381.071.1.2, RSMo.

File No.	Policy No.	Agent
28067A	7210672-41389	MO2073

C. Failure to Issue Policy in a Timely Manner

Long delay in issuing the policy is not in the best interest of the consumer. The underwriter is not aware of reportable premium until the policy is issued and may be unable to promptly pay premium taxes when due. Chicago Title Insurance Company has not fully complied with record maintenance obligations until the policy has been issued.

In the following instances the agency issued a policy more than 60 days after they had all the information needed.

File No	Recorded	Issued	Days to Issue	Agency
C10306	10/15/02	3/15/03	152	MO2095
C1423	3/22/02	6/15/02	86	MO2095
C1725	6/18/02	11/15/02	150	MO2095
C2046	10/2/02	04/15/02	195	MO2095
7210773-57952	5/28/02	08/15/02	79	MO2095
C2376	11/7/02	05/15/03	190	MO2095
C2522	2/19/02	06/15/03	116	MO2095
C2522	12/20/02	04/15/03	116	MO2095
C2985	11/`3/02	6/15/03	183	MO2095
C3206	5/16/02	4/15/03	91	MO2095
C4192	10/24/02	5/15/03	173	MO2095
C4275	7/1/02	8/15/02	167	MO2095
C5002	6/27/02	4/15/03	110	MO2095
C5314	8/20/02	12/15/02	148	MO2095
C7303	11/4/02	1/15/03	193	MO2095
C7441	7/8/02	5/15/03	160	MO2095
C9112	1/31/02	12/15/03	135	MO2095
C9793	8/27/02	12/15/02	110	MO2095
10029	9/6/2002	1/21/2003	137	MO2058
10075	10/15/02	2/4/03	112	MO2058
10229	11/6/02	3/29/03	110	MO2058
9541	4/10/02	10/30/03	568	MO2058
9599	5/2/01	11/2/02	184	MO2058
9820	7/9/02	12/9/02	153	MO2058
9826	7/5/02	12/10/02	158	MO2058
J01-2140	5/2/01	4/4/02	337	MO2052
J02-0847	12/31/01	5/17/02	137	MO2052
J02-1156	1/29/02	7/9/02	161	MO2052
J02-1257	2/7/02	5/29/02	85	MO2052
J03-0220	11/4/02	8/20/03	289	MO2052
L01-0952	6/1/01	1/18/02	221	MO2052
L01-1034	6/22/01	2/5/02	228	MO2052

File No	Recorded	Issued	Days to Issue	Agency
L01-1046	6/29/01	3/20/02	264	MO2052
L02-0333	1/3/02	4/23/02	110	MO2052
L02-0342	9/5/02	3/7/03	183	MO2052
L02-0646	2/5/02	10/2/02	239	MO2052
L02-0704	3/18/02	Not provided	Unknown	MO2052
L02-0737	2/26/02	11/7/02	254	MO2052
L02-1214	5/22/02	12/11/02	203	MO2052
L02-1276	5/29/02	4/18/03	324	MO2052
L02-1382	6/21/02	1/10/03	203	MO2052
L02-1413	6/26/02	10/18/02	114	MO2052
79394	3/1/02	5/7/02	67	MO2072
79841	1/16/02	7/23/02	180	MO2072
46368	3/27/02	8/28/02	149	MO2072
59972	2/8/02	10/02/02	225	MO2072
82087	2/28/02	12/27/02	290	MO2072
84604	10/18/02	2/12/03	113	MO2072
02040669784	1/22/02	7/23/03	245	MO2072
39822	4/9/02	7/22/02	101	MO2072
62305	1/16/02	8/12/02	208	MO2072
83012	7/3/02	7/10/02	68	MO2072
78427	2/1/02	2/6/02	232	MO2072
200117233	05/21/2001	06/26/2002	401	Direct
200125542	09/12/2001	01/10/2002	130	Direct
200128098	10/23/2001	01/23/2002	92	Direct
200129693	10/24/2001	01/14/2002	82	Direct
200130634	11/06/2001	01/09/2002	74	Direct
200133751	12/21/2001	03/04/2002	73	Direct
200136367	12/27/2001	04/08/2002	102	Direct
200136832	12/20/2001	04/05/2002	106	Direct
200138602	01/17/2002	04/16/2002	89	Direct
200134665	12/31/2001	03/11/2002	70	Direct
200211486	02/20/2002	05/23/2002	92	Direct
200213378	04/02/2002	07/31/2002	120	Direct
200223898	08/01/2002	11/14/2002	105	Direct
200221907	06/19/2002	08/27/2002	69	Direct
200225363	07/19/2002	11/06/2002	110	Direct
200233729	10/08/2002	12/11/2002	64	Direct

File No	Recorded	Issued	Days to Issue	Agency
200226644	08/28/2002	10/29/2002	62	Direct
200138126	01/02/2002	04/09/2002	97	Direct
200211883	02/07/2002	05/28/2002	110	Direct
202102162	02/07/2002	Not issued	-	Direct
020028900	01/30/2002	06/27/2002	146	Direct
020028997	03/08/2002	07/27/2002	141	Direct
17177A	12/26/02	9/4/02	252	MO2089
17905CCA	1/10/02	1/6/03	361	MO2089
18872CC	8/12/02	11/22/02	101	MO2089
19594	11/13/02	6/3/03	202	MO2089
130332	11/26/02	11/18/03	357	MO2097
83163	11/25/02	2/14/02	81	MO2097
44250	9/10/02	9/10/02	263	MO2097
130154	8/28/02	1/17/03	127	MO2097
46050	9/26/02	12/05/02	70	MO2097
46476	11/15/02	4/11/03	130	MO2097
45872	9/27/02	2/28/03	144	MO2097
44796	3/5/02	7/18/03	137	MO2097
82516	6/25/02	9/16/02	83	MO2097
5758	8/2/02	2/25/03	207	MO2138
5876	5/22/02	10/18/02	149	MO2138
6410	9/18/02	1/23/03	127	MO2138
6626	8/23/02	5/9/03	259	MO2138
6657	7/16/02	6/5/03	324	MO2138
6706	11/04/02	3/13/03	129	MO2138
7728	9/3/02	6/6/03	276	MO2138
6725	6/19/02	4/18/03	303	MO2138
6913	7/16/02	6/5/03	324	MO2138
7116	8/29/02	1/14/03	138	MO2138
7906	9/9/02	2/13/03	157	MO2138
8209	9/18/02	7/31/03	316	MO2138
8484	10/22/02	6/30/03	251	MO2138
8947	11/18/02	4/24/03	157	MO2138
9090	10/30/02	7/7/03	250	MO2138
9369	11/12/02	3/17/03	125	MO2138
9392	12/03/02	6/9/03	188	MO2138
10288	12/30/02	6/16/03	168	MO2138
10362	12/31/02	6/19/03	170	MO2138

File No	Recorded	Issued	Days to Issue	Agency
4636	2/6/02	4/9/02	62	MO2138
4808	3/27/02	6/3/02	68	MO2138
4843	6/1/02	7/2/03	396	MO2138
5201	4/2/02	7/10/02	99	MO2138
5338	5/23/02	11/12/02	173	MO2138
14678	6/17/02	5/1/03	318	MO2073
4802	7/01/02	11/1/02	123	MO2073
27494	11/12/02	5/8/03	177	MO2073
27939	3/4/02	6/7/02	95	MO2073
20331	7/30/02	11/3/02	96	MO2073
28720	11/26/02	3/6/03	100	MO2073
28680	9/30/02	1/31/03	123	MO2073
17640	6/30/02	9/4/02	66	MO2115
4800	7/9/02	9/17/02	70	MO2115
4920	9/24/02	12/31/02	98	MO2115
4935	7/17/02	1/20/03	187	MO2115
31440	8/7/02	2/13/03	190	MO2115
3240	9/4/02	12/2/02	89	MO2071
25560	5/20/02	9/1/02	104	MO2071
17400	4/19/02	7/16/02	88	MO2071
29520	6/24/02	11/14/02	143	MO2071
6720	4/4/02	8/25/02	143	MO2071
8400	2/21/02	8/1/02	161	MO2071
22800	3/29/02	9/1/02	156	MO2071

III. CLAIMS PRACTICES

The examiners reviewed the claims practices of the Company to determine the efficiency of handling, accuracy of payment, adherence to contract provisions, and compliance with Missouri law. The examiners conducted a statistical sampling of the Company's claim files. A claim file, as a sampling unit, is an individual demand/request for payment or action under an insurance contract for benefits that may or may not be payable. The most appropriate statistic to measure compliance with the law is the percent of files in error. An error can include, but is not limited to, any unreasonable delay in the acknowledgment, investigation, payment, or denial of a claim. Errors also include the failure to calculate benefits correctly or to comply with Missouri laws regarding claim settlement practices.

A. Claim Time Studies

To determine efficiency, examiners look at how much time the Company used to acknowledge the receipt of the claim, the time for investigation of the claim, and the time to make payment or provide a written denial. Department regulations define the reasonable duration of time for claim handling as follows: (1) payment or denial of claim within 15 working days after the Company completes investigation; and (2) settlement of the claim within 30 days of the receipt of all necessary documentation to determine liability. When the Company fails to meet these standards, examiners criticize files for noncompliance with Missouri laws or regulations.

NOTE: A star (*) after a claim number denotes that this claim was cited earlier in the Claim Time Studies for a different error, but it was only counted once in the number of errors.

Field Size:	348
Sample Size:	60
Type of Sample:	Systematic
Number of Errors:	8
Error Rate:	13%
Within Dept. Guidelines:	No

Following are the results of the time studies.

Acknowledgement Time

The examiners noted the following error in this review.

The Company failed to acknowledge the claim within 10 working days of notification of the claim. The claim is received when the agent is notified.

Reference: Section 375.1007, RSMo, and 20 CSR 100-1.010(1)(G), and 20 CSR 100-1.030 (1)

Policy	Claim	Received	Acknowledged	Days	Agent
260120020264	114446	10/24/00	8/8/02	440	Investors
260120970079	103127	6/21/00	10/29/01	349	Investors

Determination Time

The Company failed to accept these claims and notify the claimant of acceptance of the claims within 15 working days after the Company received submission of all forms necessary to accept the claims.

Reference: 20 CSR 100-1.050(1)(A)

Policy	Claim	All Docs Received	Date Accepted	Days	Agency
26014010700000513	28102767	10/31/00	2/6/01	56	MO2099
26001504004208	100617	7/23/01	9/28/01	43	MO2106
26-0016-106-00001101	110538	6/24/02	10/15/02	79	MO2053
200111584	118886	11/8/02	9/12/03	204	Direct
26013710600001612	96766	6/13/01	12/26/02	561	MO2097
10600000651	112561	10/28/02	3/7/03	90	MO2092

Investigation Time

The examiners noted the following errors in this review.

The Company failed to complete this investigation in a timely manner.

Reference: Section 375.1007(3), RSMo, and 20 CSR 100-1.040

Policy	Claim	Claim Received	Investigation Complete	Days	Agent
2601370700003791	104696*	12/19/01	2/22/02	65	Investors
20011584	118886*	11/8/02	9/12/03	152	Direct
10600000651	112561*	5/28/02	3/7/03	283	MO2092

The Company failed to notify the insured in writing every 45 days regarding the status during the period the investigation remained incomplete.

Reference: 20 CSR 100-1.050(1) (c)

Policy	Claim	Last Correspondence	Investigation Complete	Days	Agent
10600000651	112561*	6/13/02	3/7/03	257	MO2092

B. Unfair Settlement and General Handling Practices

The examiners reviewed paid and denied claims for adherence to claim handling requirements and contract provisions. The following is the result of this review.

NOTE: A star (*) after a claim number denotes that this claim was cited earlier in the Unfair Settlement and General Handling Practices for a different error, but it was only counted once in the number of errors.

Field Size:	343
Sample Size:	60
Type of Sample:	Systematic
Number of Errors:	67
Error Rate:	10%
Within Dept. Guidelines:	No

The Examiners noted the following errors in this review.

The Company failed to effectuate prompt, fair and equitable settlement of this claim. In addition, the Company denied the claim without conducting a reasonable investigation.

Reference: Sections 375.1007(4) and (6), RSMo

Policy	Claim	Agent
2601341060003476	97237	MO2095

The Company issued an indemnity letter indicating it was willing to issue an owner's title insurance policy to insure without showing all outstanding, enforceable recorded liens or other interests against the title which is to be insured. In addition, the investigation of this claim was inadequate and poorly documented.

Reference: Sections 375.1007(3) and (6), RSMo, 20 CSR 100-1.040 and 20 CSR 300-2.200

Policy	Claim	Agent
26014010700000513	28102767	MO2099
26012097007997	103127	Investors

The Company failed to effectuate prompt, fair and equitable settlement of the following claim in which liability had become reasonably clear.

Reference: Section 375.1007(4), RSMo

Policy	Claim	Agency
260120970079971	103127*	Investors

The insurer failed to fully disclose to the first-party claimants all pertinent benefits, coverages or other provisions of the policy.

Reference: Section 375.1007(4), RSMo, and 20 CSR 100-1.020(1)

Policy	Claim	Agent
26013710600001612	96766	MO2097
2601206100025579	106766	Investors
10600000651	112561	MO2092

The Company denied the following claim without conducting a reasonable investigation.

Reference: Section 375.1007(6), RSMo

Policy	Claim	Agent
2601206100025579	106766*	Investors

The following files contain correspondence from claimants to which a response was reasonably expected. The Company failed to make a response to that communication within 10 working days.

Reference: 20 CSR 100-1.030(2)

Policy	Claim	Agent
2601206100025579	106766*	Investors

VI. CONSUMER COMPLAINTS

This section of the report is designed to provide a review of the Company's complaint handling practices. Examiners reviewed how the Company handles complaints to ensure it was performing according to its own guidelines and Missouri statutes and regulations.

The Company is required to maintain a registry of all written complaints received for the last three years by Section 375.936(3), RSMo. The registry is to include all Missouri complaints including those sent to the Department and those sent directly to the Company. The examiners requested the complaint registry.

The examiners ensured the registry indicated the total number of complaints, a classification by line of insurance, the nature of each complaint, the disposition of the complaint, and the time taken to process the complaint as required by Section 375.936(3), RSMo, and 20 CSR 300-2.200(3)(D).

Chicago Title records show that it received three complaints from the Department between January 1, 2000, to December 31, 2002.

The examiners found the following error.

The Company did not acknowledge one complaint within 10 working days

Reference: 20 CSR 100-1.030 and Section 375.1007(2), RSMo

Complaint No.	Policy No.	Date Received	Date Acknowledged	Number of Days	Agency
03A000077	7210672-15211	12/9/02	1/3/03	32	MO2073

V. UNCLAIMED PROPERTY

The examiners conducted a review of the Chicago Title's procedures for recording and reporting unclaimed property to determine compliance with Missouri's Uniform Disposition of Unclaimed Property Act, Section 447.500, et seq., RSMo.

The Company filed no reports during the review period.

VI. FORMAL REQUESTS & CRITICISMS TIME STUDY

This study is based upon the time required by the Company to provide the examiners with the requested material or to respond to criticisms.

A. Criticism Time Study

Calendar Days	Number of Criticisms	Percentage
0 to 10	202	69.4 %
10 to 50	52	17.9 %
No Response	37	12.7 %
Total	291	100 %

The Company did not respond to 89 criticisms within 10 calendar days.

References: Section 374.205.2(2), RSMo, and 20 CSR 300-2.200(5) and (6)

B. Formal Request Time Study

Calendar Days	Number of Requests	Percentage
0 to 10	11	78.6%
11 to 30	0	0.0 %
30 to 99	3	21.4 %
Total	14	100.0%

The Company did not respond to three formal requests within 10 calendar days.

References: Section 374.205.2(2), RSMo, and 20 CSR 300-2.200(5) and (6)

SUBMISSION

Examiners respectfully submit this Market Conduct examination report of Chicago Title Insurance Company to the Director of the Department of Insurance, Financial Institutions and Professional Registration, State of Missouri.

Tom Schnell and Martha A. Burton, CIE, participated in this examination as the Examiners in Charge. Joseph Ott and Ted Greenhouse participated in the examination and helped in the preparation of this report.

Martha A. Burton, JD, CIE
Examiner-In-Charge

Date: December 1, 2008

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PROFESSIONAL REGISTRATION

Verification of Written Report Submission Affidavit

Before me, the undersigned authority, personally appeared Martha A. Burton, being duly sworn and deposed stated as follows:

1. My name is Martha A. Burton. I am of sound mind, capable of making this affidavit, and personally acquainted with the facts herein stated.

2. I am the Examiner In Charge duly appointed by the Director of the Department of Insurance, Financial Institutions and Professional Registration, State of Missouri (DIFP) to examine the business affairs and market conduct of the Chicago Title Insurance Company that have been granted authority to transact the business of insurance in the State of Missouri.

3. Attached hereto and containing 40 pages is my examination report of the Chicago Title Insurance Company.

4. This examination report was produced in observation of those guidelines and procedures set forth in the Market Regulation Handbook adopted by the National Association of Insurance Commissioners (NAIC) and such other guidelines and procedures adopted by the DIFP.

5. This examination is comprised of only facts appearing upon the books, records, or other documents of the Company, its producer or other persons examined, or as ascertained from the testimony of its officers or producers or other persons examined concerning its affairs, and such conclusions as reasonably warranted from the facts.

Martha A. Burton, Examiner In Charge
Missouri Department of Insurance,
Financial Institutions and Professional Registration,
State of Missouri

State of Missouri
County of Phelps

Subscribed and sworn to before me on December 1, 2008
My commission expires 4-28-2012.

Notary Public

ANGELA L. PROFFITT
Notary Public Notary Seal
State of Missouri
County of Phelps
My Commission Expires 04-28-2012
Commission # 08545526

SUPERVISION

The examination process has been monitored and supervised by the undersigned. The examination report and supporting work papers have been reviewed and approved. Compliance with NAIC procedures and guidelines as contained in the Market Regulation Handbook has been confirmed.

Win Nickens, JD, CIE, CPCU,
Property and Casualty Audit Manager
Missouri Department of Insurance,
Financial Institutions and Professional Registration,
State of Missouri

12-1-8
Date