STATE OF MISSOURI

DEPARTMENT OF INSURANCE, FINANCIAL INSTITUTIONS AND PROFESSIONAL REGISTRATION

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

In re:	)	
	)	Examination No. 0906-24-TGT
First American Title Insurance Company	)	
(NAIC #50814)	)	

ORDER OF DIRECTOR

NOW, on this 5TH day of DECEMBER, 2012, Director John M. Huff, after consideration and review of the market conduct examination report of First American Title Insurance Company. (NAIC #50814), (hereafter referred to as "First American") report numbered 0906-24-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. 2012), is in the public interest.

IT IS THEREFORE ORDERED that First American 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 First American shall not engage in any of the violations of law and regulations set forth in the Stipulation and shall implement procedures to place First American 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 First American shall pay, and the Department of Insurance, Financial Institutions and Professional Registration, State of Missouri, shall accept, the Voluntary Forfeiture of $165,000.00, 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 5TH day of DECEMBER, 2012.

John M. Huff
Director

DEPARTMENT OF INSURANCE, FINANCIAL INSTITUTIONS AND PROFESSIONAL REGISTRATION

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

RECEIVED
DEC 03 2012
MO. DEPT. OF INSURANCE, FINANCIAL INSTITUTIONS & PROFESSIONAL REGISTRATION

TO: Office of the President
First American Title Insurance Company
1 First American Way
Santa Ana, CA 92707

RE: Missouri Market Conduct Examination #0906-24-TGT
First American Title Insurance Company (NAIC #50814)

STIPULATION OF SETTLEMENT AND VOLUNTARY FORFEITURE

It is hereby stipulated and agreed by John M. Huff, Director of the Missouri Department of Insurance, Financial Institutions, and Professional Registration, hereinafter referred to as "Director," and First American Title Insurance Company, hereinafter referred to as "First American" or "the Company," as follows:

WHEREAS, John M. Huff is the Director of the Department of Insurance, Financial Institutions, and Professional Registration, 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, First American 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 First American and prepared report number 0906-24-TGT; and

WHEREAS, the report of the Market Conduct Examination, #0906-24-TGT, revealed the following findings:

1. In one instance, a title officer of one of First American's agencies issued a final policy of insurance on a Missouri transaction without being properly licensed by the DIFP for that purpose, in violation of §§381.031.17 - .19, 381.115, 375.015.2 - .6, and 375.017, RSMo.

2. In some instances, unlicensed individuals were found to have been involved in title insurance transactions processed through a division of First American, in violation of §§381.031.17 - .19, 381.115.2(2) and .4, 375.015.2 - .6, and 375.017, RSMo.

3. In some instances, the Company entered into agency agreements with parties who were not licensed as agencies by the Department, in violation of §381.115.1 and .4, RSMo.

4. In some instances, the Company failed to retain all records relating to the underwriting of each transaction's certificate of coverage, in violation of §381.071.3, RSMo.

5. In some instances, the Company failed to file its FACT Service Agreements with the DIFP. The use of forms not previously filed with the DIFP violate §§381.085 and 381.211, RSMo, and 20 CSR 500-7.130(1)(A) and 20 CSR 500-7.100(3)(A).

6. In some instances, First American's FACT Service Agreements failed to provide for search and examination standards sufficient to permit the insurer to accept a transfer of risk based on sound underwriting practices, in violation of §381.071, RSMo, and 20 CSR 500-7.200.

7. In some instances, First American incorrectly reported the risk rate premium but not the total charges on Schedule A of certain lender's policies insuring commercial property, and the DIFP views this as collecting premium in excess of the premium schedule filed by the Company with the DIFP that would violate section 381.181, RSMo (1994), 20 CSR 500-7.100, and related Form T-7, whereas First American believes there was no overcharge because the DIFP does not require separately stating the risk rate premium on the settlement statement in a commercial transaction and the total charges were correct.

8. In some instances, First American collected premium in amounts less than that required by the Company's premium schedule filed by the Company with the DIFP. The charging of a rate that is different from the rate filed by the Company with the DIFP violates §381.181, RSMo (1994), 20 CSR 500-7.100, and related Form T-7.

9. In one instance, First American failed to include on the policy a statement of the premium collected for the policy, in violation of §381.085, RSMo, and 20 CSR 500-7.130(1)(B).

10. In some instances, First American failed to issue policies within 45 days after closing, in violation of §381.038.3, RSMo, and 20 CSR 500-7.090(2) and (3).

11. In some instances, First American failed to maintain its records in a manner that allowed the examiners to readily ascertain the Company's underwriting practices, including when the

insurance policies were issued to the insureds, thereby violating §381.071.3, RSMo, and 20 CSR 100-8.040(2) and (3)(A).

12. In some instances, the Company failed to perform an adequate title search prior to issuing the policies, including, but not limited to failing to assure that its files contained evidence of a title search, in violation of §381.071, RSMo, and 20 CSR 100-8.040.

13. In some instances, the Company omitted as exceptions certain matters that affect the title, in violation of §381.071.2, RSMo.

14. In some instances, the Company failed to make escrow files available to the examiners for review, in violation of §381.038.2, RSMo, and 20 CSR 100-8.040(6)(A).

15. In some instances, First American's agencies failed to record security instrument(s) within five business days after the closing of the transaction and the disbursement of funds, thereby violating §381.026.1, RSMo (Supp. 2009).

16. In some instances, First American's agencies failed to present deeds and security instruments for recording within three business days after closing the transaction, thereby violating §381.412.1, RSMo (1994).

17. In one instance, First American disbursed funds held in escrow without first obtaining specific instructions on how the funds should be disbursed, in violation of §381.022.3(4), RSMo.

18. In one instance, the examiners could not verify that the Company provided a Closing Protection Letter (CPL) waiver document (form T-3) to the buyer, in that no copy of the waiver form or verification document was maintained by First American. Section 381.022.5 and .6, RSMo, require the waiver form be obtained if no CPL is issued. See also, 20 CSR 500-7.060(2)(A) and (B).

19. In one instance, the risk rate was incorrectly inserted as the "Total Charges" instead of the "Risk Rate" on the face of the policy. Although the risk rate was calculated correctly, it was not documented correctly, in violation of §381.181, RSMo, and 20 CSR 500-7.130(1)(B).

20. In one instance, First American failed to issue an acknowledgement of the claim within 10 working days after receiving it, in violation of §375.1007(2), RSMo, and 20 CSR 100-1.030(1) and (2).

21. In some instances, First American failed to accept or deny the claims within 15 working days after all information needed was received, in violation of §375.1007(4), RSMo, and 20 CSR 100-1.050(1)(A).

22. In one instance, First American failed to conduct an investigation within 30 days after receiving notification of the claim, thereby violating §375.1007(3), RSMo, and 20 CSR 100-1.040

(as amended, 20 CSR 100-1.050(4), eff. 7/30/08).

23. In some instances, First American failed to inform the insured every 45 days after the initial notification of the claim that additional time was needed for investigation, and in one instance, the Company failed to keep the claimant's attorney apprised of the status of the investigation, all in violation of §375.1007(3) and (4), RSMo, and 20 CSR 100-1.050(1)(C).

24. In some instances, the Company failed to set aside a reserve for the losses upon receiving notice of the claims, in violation of §381.101.2, RSMo (1994) and §381.072.1(1)(a) and (b), RSMo, (Supp. 2009).

25. In some instances, the Company failed to fully disclose to the claimant all pertinent benefits, coverages, or other provisions of the policy, in that it did not suggest to the claimant that it should base its claim on the invalidity or unenforceability of the lien on the title, thereby violating §375.1007(1), RSMo, and 20 CSR 100-1.020(1).

26. In one instance, First American denied a claim without advising the claimant of the references to policy provisions, conditions, or exclusions that applied, in violation of §375.1007(4) and (12), RSMo, and 20 CSR 100-1.050(1)(A).

27. All of the owners' policies issued by Anchor Title were issued with the wrong policy jacket, resulting in the misrepresentation of the benefits, advantages, conditions or terms of the policies, in violation of §375.936(6)(a), RSMo.

28. In some instances, the Company failed to fully disclose to the claimant all pertinent benefits, coverages, or other provisions of the policy, thereby misrepresenting the complete terms, benefits, advantages, and conditions of the policies purchased by failing to provide its insureds copies of their policies, thereby violating §§ 375.144 and 375.936(6)(a).

29. In one instance, the Company failed to refund the borrower the excess escrow funds retained by the agency when it paid one of its claim, in violation of §381.022.2 and .3, RSMo.

30. In some instances, First American failed to disclose the affiliated business arrangement it had with its agent, in violation of§381.141, RSMo (1994).

31. In some instances, the Company failed to provide information on the premium tax due for title policies written by Sequoyah on Missouri properties, as required by §§148.340 and 148.350.1, RSMo.

32. Although the Company terminated its relationship with one of its agencies for cause, it failed to apprise the Department of the termination, as required by §375.022.5, RSMo.

33. In some instances, First American allowed the issuance of commitments and policies by one of its agencies, although there existed no written contract or agency affiliation between the parties, in violation of §381.018.1, RSMo.

34. In some instances, First American failed to timely and completely respond to the examiners' criticisms and formal requests, thereby violating §374.205, RSMo, and 20 CSR 100-8.040.

WHEREAS, First American hereby agrees to take remedial action bringing First American into compliance with the statutes and regulations of the State of Missouri and agrees to maintain those corrective actions at all times including, but not limited to, taking the following actions:

1. First American agrees to take corrective action to assure that the errors noted in the above-referenced market conduct examination reports do not recur;

2. First American agrees that when reviewing policy issuance pursuant to 20 CSR 500-7.080(2)(K), as a part of its annual on-site review required by §381.023, RSMo First American will verify, to the extent ascertainable from the agent's records, that the policy issued is actually provided to the insured within the prescribed timeframe. First American shall include this verification with each T-6 audit performed commencing on the date a final Order closing this examination is entered through December 31, 2015. This verification may be made as a note in section 11 on the T-6 or as an attachment to the form; and

3. First American agrees to provide a full refund of all excess funds retained to the borrower on Claim #4232M on Policy #LP572343, by Express Financial, plus interest from the date of the claim, 9/25/08, until paid in full, in accordance with §408.020, RSMo.

4. First American agrees to file documentation of all remedial actions taken by it to implement compliance with the terms of this Stipulation and to 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, First American, 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 Examination #0906-24-~~TLE~~ TGT, and

WHEREAS, First American hereby agrees to the imposition of the ORDER of the Director and as a result of Market Conduct Examination #0906-24-TGT further agrees, voluntarily and knowingly to surrender and forfeit the sum of $165,000.

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 First American to transact the business of insurance in the State of Missouri or the imposition of other sanctions, First American 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 $165,000, such sum payable to the Missouri State School Fund, in accordance with §374.280, RSMo.

DATED: 11/27/2012

President Dennis J. Gilmore
First American Title Insurance Co.

BRYAN CAVE

Douglas W. King
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October 7, 2010

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Carolyn H. Kerr
Senior Counsel
Market Conduct Section
Department of Insurance,
Financial Regulation and Professional Registration
Harry Truman State Office Bldg.
301 W. High Street, Room 530
Jefferson City, MO 65102-0690

RE: *Missouri Market Conduct Examination No. 0906-24-TGT*
First American Title Insurance Company (NAIC No. 50814)

Dear Ms. Kerr:

We represent First American Title Insurance Company in connection with responding to the draft market conduct examination report. Please find enclosed First American's response to the draft report that was enclosed with your letter of August 20, 2010. I understand that you agreed with Lenore Martinez on September 15 to extend the deadline for First American's response to October 7, 2010.

If you have any questions about First American's response, please feel free to contact me. I thank you for your time and attention to this matter.

Very truly yours,

Douglas W. King

Douglas W. King

DWK:jb

cc: Lenore Martinez (w/encl.)

3495943.1

FIRST AMERICAN TITLE INSURANCE COMPANY'S

RESPONSE TO

STATE OF MISSOURI
DEPARTMENT OF INSURANCE, FINANCIAL
INSTITUTIONS, AND PROFESSIONAL REGISTRATION

DRAFT MARKET CONDUCT EXAMINATION REPORT
of the Title Insurance Business of
First American Title Insurance Company

NAIC # 51624

Dated August 16, 2010

MISSOURI EXAMINATION # 0906-24-TGT

NAIC EXAM TRACKING SYSTEM # M0268-M124

Submitted

October 7, 2010

INTRODUCTION

First American Title Insurance Company ("First American" or the "Company") respectfully responds to the draft market conduct examination report for the period January 1, 2007 through July 31, 2009 prepared by the Missouri Department of Insurance, Financial Institutions, and Professional Registration ("DIFP") dated August 16, 2010. By letter dated August 20, 2010, counsel for the DIFP requested this response within 30 days. However, by letter dated September 15, 2010, counsel for First American requested and the DIFP agreed to extend the response deadline to October 7, 2010.

In the interest of brevity, First American usually will not re-state the examiners' findings but will cite the section and page of the report as well as the file or policy number and the agent involved, if applicable. In the case of multiple similar criticisms, First American may paraphrase the criticisms and group together its responses. Further, this response, like the draft report, is "by exception," so that it does not respond to proposed findings with which First American agrees.

BACKGROUND

The Company profile set forth in the draft report is entirely accurate through the examination period. As of June 1, 2010, however, the parent company of First American Title Insurance Company is First American Financial Corporation, which is still traded as NYSE:FAF.

EXAMINATION FINDINGS

I. SALES AND MARKETING

C. Marketing Practices

Pages 10-12

In this section of the report, the examiners state that they looked for untruthful or misleading statements in First American's marketing and advertising materials and the like, but the examiners do not report finding any such problems. All of the comments are directed to the FACT Master Loan Policy Program. Whatever criticisms the examiners may have of that program, it cannot be said that any insured lenders were misled when they chose to enter into detailed FACT Service Agreements that spelled out exactly how the program worked and how the lender could obtain insurance coverage for particular loans under a FACT Master Policy.

1. First American disagrees that the FACT Service Agreements transform the lender into a title agent. The lender is the sole decision-maker as to whether to make any loan, including loans that may qualify under the FACT Program. The lender determines whether it has met the criteria spelled out in the Service Agreement, and is comfortable proceeding with the loan based on its determination that it has followed the steps necessary to obtain the title insurance afforded by the FACT Policy. This determination by the lender is merely its opinion that the loan is eligible for coverage, but it does not determine whether the loan is actually covered. The coverage for a title claim under the FACT Policy is decided solely by the terms of the FACT Master Loan Policy. The lender is not an agent. The lender is a customer of First American that is required to

follow specific guidelines set forth in the FACT agreement in order to submit an eligible loan for coverage under the FACT Policy. The mere fact that the lender has certain decisions to make in order to submit an eligible loan does not create an agency relationship between the lender and First American. Only First American, not the lender, can issue the FACT Policy. The lender does not function as a title agent under R.S.Mo. 381.115 because it cannot issue a title policy and cannot make a final determination of insurability for any particular loan or property.

2. The examiners have not shown that First American actually failed to keep records for 15 years of the evidence of the title search and determination of insurability for any actual policy. Under the FACT Program, the lender must follow its underwriting policy for equity loans/lines of credit. First American provides the lender with a FACT Title Report that contains vesting information, a legal description, and lien information from a search performed pursuant to the Missouri title search requirements. All information provided by First American is retained in the First American system indefinitely, and it can be obtained at any time upon request. The lender is also required to maintain records of all loan underwriting information and documents, as well as any information provided by First American, as a condition to have an eligible loan under the Program. In sum, First American does retain the title search for the specified period of time under Missouri law, but there are also other elements of the loan decision that the lender must retain as well.

3. The FACT Service Agreements are not title commitments. The FACT Program combines both processing and insurance components. The processing

component stipulates the obligations that a lender must follow to process a loan that is "eligible" for coverage under the FACT Program. This is essential in order to ensure that documents are properly quality reviewed to allow First American to look for errors in the documents that may either (a) prevent recording of the security instrument or (b) require corrective measures to ensure that accurate documents are being recorded in the public record. The agreement serves the purpose of stipulating these terms, in addition to others that the lender is required to meet to submit a loan which is "eligible" to be covered under the FACT Master Loan Policy, and subsequently considered for actual coverage by First American. Therefore, the FACT Service Agreement serves as the mechanism for coverage eligibility and is specifically not a title insurance commitment, nor an endorsement to the Policy. Rather, the Service Agreement is a pre-condition mechanism to evaluate what loans qualify for consideration of coverage should a claim arise, as well as documentation of agreed-upon duties of the lender and First American.

4. First American disagrees that the FACT Program departs from sound underwriting practices. Under the FACT Program, the lender makes the primary decision solely as to whether to proceed with its loan transaction, not whether the transaction is eligible to be insured under the Program. First American, through the use of a service agreement, stipulates the criteria that the lender must follow in order for the loan transaction to be eligible for coverage under the FACT Program. If and only if the lender complies with the minimum criteria, then First American will evaluate a claim based solely on the FACT Master Loan Policy provisions. If the lender does not meet the stipulated minimum criteria, then First American is not obliged to insure under the FACT

Master Loan Policy provisions. Coverage determinations under the FACT Master Loan Policy are performed by First American. There is a presumption that the lender has met the FACT guidelines when it submits a loan under the FACT Program, but this merely presumes that the transaction is "eligible" to be considered for coverage under the express terms of the FACT Master Loan Policy.

II. UNDERWRITING AND RATING PRACTICES

B. Underwriting and Rating

- **Direct Operations**

Page 14

The report asserts that First American "*collected* premiums in excess of the premium schedules filed by the Company with the director" in 22 listed files, but that is not entirely accurate in any of the 22 instances. While it is true that First American reflected an incorrect risk rate on the policies, those errors did not affect the amount collected from the consumers. In 18 of the files, the overcharge listed in the report is exactly $40.00 or within a few pennies of $40.00. In those instances, First American calculated the risk rates with a spreadsheet that included an error that caused an overstatement of $40.00 in the risk rate. In each of these 18 instances, however, the insured's total charges for the policy exceeded the risk rate stated on the policy, and those total charges would not have been any less had the risk rate been shown correctly on the policy. As a result, the insureds were not overcharged. In fact, First American overpaid its premium taxes because of the miscalculation.

The same is true of the other four of the 22 files. In each case, the total charges for the policy exceeded the correct risk rate:

File No.	Risk Rate	Total Charges
281991	$1,134.54	$2,263.00
357437	$ 111.00	$ 475.00
352391	$2,749.50	$5,254.00
320861	$ 946.00	$1,700.00

Consequently, the insured was not overcharged and First American paid too much in premium tax.

Pages 14-15

The report says First American collected insufficient premium by $36.76 on Policy/File 346524. That is not correct. The correct risk rate on this $214,750 commercial policy is $185.08, which is what was charged, as the DIFP's criticism acknowledged. Notwithstanding the St. Louis County Assessor's classification, this parcel was part of an assembly of several parcels for a commercial development. It was not purchased for 1-4-family use and is not residential.

Page 16

The report lists seven instances in which the DIFP says First American did not preserve and maintain records showing it delivered policies within 45 days after compliance with the commitment requirements. The proposed finding is wrong as to six of the seven files. First American does have a record of timely delivery of the policies.

File	Crit	Response
349259	86	The policy was delivered to the insured within the proper time frame, which is noted in First American's e-file in FAST. The documentation of delivery is attached to this response as Exhibit 1.
350023	88	The policy was delivered to the insured within the proper time frame, which is noted in First American's e-file in FAST. The documentation of delivery is attached to this response as Exhibit 2.
350374	90	The policy was delivered to the insured by First American's office in Chicago. They have a record of delivering the policy within the appropriate time frame. The documentation of delivery is attached to this response as Exhibit 3.
356670	144	The policy was delivered to the insured by First American's office in Chicago. They have a record of delivering the policy within the appropriate time frame. The documentation of delivery is attached to this response as Exhibit 4.
351219	94	The policy was delivered to the insured by First American's Kansas City office. The documentation of delivery is attached to this response as Exhibit 5.
352733	98	This was an endorsement to an existing policy. The endorsement was sent to the client on 6/24/2008, the same day it was requested by the insured to be issued. The documentation of delivery is attached to this response as Exhibit 6.

Records of delivery of the policy are often kept in a policy register, which may be kept in electronic format with today's technology, and records of delivery may be kept in other offices when other offices are involved in the delivery of the policy. R.S.Mo. § 381.071.3 requires only that evidence of the examination of title and determination of insurability be kept in the file for 15 years, which does not include or cover the subsequent delivery of the policy. R.S.Mo. § 381.038.1, which is cited in the report, is just a definition of direct operations. R.S.Mo. § 381.038.2, which is not actually cited in the report, requires keeping records relating to escrows and security deposits for seven years, which again does not address the issuance of the policy. The regulation cited in the report, 20 C.S.R. 100-8-040(2), requires insurers to maintain records from which

specified practices can be readily ascertained during a market conduct examination, including "rating, underwriting, and marketing." To the extent that the term "underwriting" could be stretched to cover delivery of the policy, still the regulation does not require evidence of delivery to be kept in the same file as evidence of title examination and determination of insurability.

Pages 16-17

The report asserts that First American did not perform an adequate title search prior to issuing 16 policies. The proposed finding is incorrect in all 16 instances.

File	Crit	Response
344599	107	The company provided a copy of the file after receiving the criticism.
345046	133	The company provided a copy of the file after receiving the criticism.
350230	89	The company provided a copy of the file after receiving the criticism. The file was related to a prior policy issued by the company.
347004	117	The company provided a copy of the file after receiving the criticism. The commitment was based off a search performed by an agent and the results of that search were provided.
346524	113	The company provided a copy of the file after receiving the criticism.
350374	99	The company provided a copy of the file after receiving the criticism.
342916	105	The company provided a copy of the file after receiving the criticism.
320861	100	The company provided a copy of the file after receiving the criticism.
347787	148	The company provided a copy of the file after receiving the criticism.
356670	143	The company provided a copy of the file after receiving the criticism. The file was related to a prior policy issued by the company.
344016	121	The search was performed at our title plant.
349259	87	The company provided a copy of the file after receiving the criticism.
348285	82	The company provided a copy of the file after receiving the criticism.
346453	75	The company relied upon a prior policy from 1994 and a title search performed by our agent.
345622	74	The company provided a copy of the file after receiving the criticism.
342786	73	The company relied upon a search provided by one of our agents.

When First American learned that the examiners preferred to review digital files so they could avoid coming to Kansas City for a live audit, First American advised the examiners that there would be the potential for omissions in the file because the period of time being audited was a transition period when First American was moving from paper files to digital files. As a result, there was a chance that it could have the examination in the paper file but not in the e-file that was sent to the DIFP. If anything was missing from the e-file, the DIFP was to let First American know and it would search the paper file to produce a copy and/or confirm that it hadn't been omitted (by human error) from the e-file sent to the DIFP. Consistent with this understanding, these particular files each contained an examination of the property, which may not have been provided upon the initial request, but it was provided to the examiners during the examination.

Page 17

The report asserts that First American failed to make the escrow file available for review in three instances. The proposed finding is incorrect in all three instances. First American did provide the escrow files.

File	*See* Response to
344599	Criticism 108
343316	Criticism 106
320861	Criticism 102

Consequently, First American has complied with the requirement to maintain escrow files for seven years, and the examiners received the escrow files to review.

- **Affiliated Agencies**

Page 19

The draft report says that the Company failed to follow sound underwriting practices because the agent's closer departed from the lender's closing instructions by not checking with the lender prior to certain changes to the preliminary settlement statement. While First American agrees that the closer should have adhered to better escrow closing practices, First American disagrees that the DIFP can characterize this file as an example of unsound underwriting practices. The search identified the mortgages in favor of the two individual lenders, and the commitment conditioned the issuance of a new lender's policy on the release of those mortgages, and the two individual lenders provided releases shortly after the closing, which the agent promptly recorded before issuing the policy. The insurability of the title in accordance with sound underwriting practices is not in question.

Page 19

The report says that the agent disbursed funds in escrow without written instructions in File 1079098. That is not correct. The agent had written instructions, i.e., the contract, specifying the amount of the buyer, Sean McBee's, down payment, and it disbursed the funds from the three checks tendered to make up that down payment in accordance with those instructions.

- **Independent Agents**

Page 21

The report asserts that independent agents failed to maintain records in 16 files showing that they delivered the policies within 45 days of completion of the requirements stated in the commitments. First American disagrees with the proposed findings with respect to the following 7 of the 16 files:

Crit	Agent Name	Comments
164	Touchstone	Policy dated 5/27/09 and agent's note in order summary shows policy mailed 7/7/09 — in compliance.
165	Bollinger	Final requirement was met 10/24/08 and policy was mailed 11/25/08 — in compliance.
166	Gateway	Agent requested by lender to delay for Subordination Agreement.
167	Emmons	Documents & policy dated 8/29/08 and agent's electronic log indicates policy delivered 9/22/08 — in compliance.
177	DD Hamilton	Agent did not close and was waiting for Releases of 2 Deeds of Trust. Releases were filed on 1/15/09 and policies were delivered on 1/26/09 per "gap sheet" from agent's file — in compliance.
179	Dent/Seay Abstract	Policies dated 5/13/08 and agent's computer records indicate policies were mailed 5/28/08.
225	GBS	Examiner referenced wrong policy for complaint. *See* Crit. for explanation.

Further, the same absence of statutory or regulatory authority for the asserted violation applies here as with respect to the same issue as to direct operations on page 16 of the report.

Page 22

The report asserts that independent agents did not perform an adequate search of title using a title plant or the best title evidence available in 13 files. The proposed finding is incorrect for all 13 files for the following reasons:

Crit	Agent Name	Comments
151	Pulaski Title	Owner's policy start and search produced by FATCO from Plant.
152	Pulaski Title	Search provided by FATCO based on St. Louis Plant.
154	US Title	Previous file used as starter based on plant search back to 1948.
155	US Title	St. Charles County — no plant available.
156	Continental	Policy start and date down from Jackson County Plant.
157	Continental	Starter was Stewart owner's policy from Jackson County Plant.
158	Continental	Chain of title in file — requested by examiner for evidence and agent provided.
159	Continental	Starter was Old Republic owner's policy from Clay County Plant.
161	Continental	Chain of title from St. Louis Plant.
162	Boone Central	Chain of title plus policy start prior for this agent. Agent maintains 45 year plant.
168	Emmons	No St. Charles Plant — agent used prior policies.
180	Dent/Seay Abstract	Based on attorney's opinion from extended abstract from 1873 to 1991.
213	Landmann	Prior owner's policy from Plant from Pettis County. Prior file number referenced wherein agent had issued prior policy.

Page 22

The report asserts that the Company failed to maintain evidence of a waiver of a closing protection letter in one file (9-04853) in violation of R.S.Mo. § 381.058.3(1) (Supp. 2009) and 20 CSR 100-8.040. However, First American disagrees with the criticism that the agent's misfiling of the waiver constitutes any violation of Section 381.058.3 by First American. First of all, Section 381.058.3(1), referenced in the

criticism, merely permits title insurance companies to issue closing protection letters notwithstanding the monoline restriction of Section 381.058.1. It says nothing about waiver of closing protection letters. The report also cites Section 381.022, but any obligation in respect to a CPL waiver is that of the closing or escrow agent, and the Company was not the closing or escrow agent on this file. First American's agency relationship with a title agent is limited to the functions related to issuing title insurance policies and specifically excludes any separate settlement and escrow business. Section 381.022.2 recognizes this distinction and authorizes title agents to engage in the separate business of handling settlements and escrows but places conditions upon the conduct of that business. The requirement to obtain a waiver if a closing protection letter is not issued appears in Subsections 381.022.5 and 381.022.6, but those subsections clearly place that obligation on the title agent as a condition of its undertaking the separate business of conducting the settlement or escrow.

Page 22

The report notes that the risk rate of $88.00 was shown in the wrong place on Policy 1102153-623 in File 3901-829956-09. However, the risk rate was correctly calculated at $88.00, and the consumer was correctly charged and was not harmed.

III. CLAIMS PRACTICES

A. Claims Time Studies

1. Paid Claims

Page 25

The draft report asserts that First American failed to accept or deny 5 claims within 15 working days. First American disagrees with respect to the following two claims.

For Claim 4232M, the report says First American took 17 days to respond to the claim, but the 15-day deadline was from the time First American had all of the necessary information. This claim was for reimbursement for missed taxes. The settlement statement indicated that the taxes were paid by the settlement agent at closing, which would have supported denying the claim. First American needed several days to confirm that the taxes were not paid at closing, and the extent of the claim could not be evaluated prior to that confirmation.

For Claim 2866M, the report notes that First American accepted the claim within 19 days. However, First American needed the file from the agent, Netco, and thus did not have all of he information necessary to evaluate the notice and extent of the claim at the time the claim was first made.

2. Closed Without Payment

Page 26

The report contends that First American failed to accept or deny Claim 3165M for 791 working days. That is incorrect. The claim was opened November 10, 2006.

Counsel for the insured lender was aware that it took some time to get the information needed to evaluate this claim relating to a policy on Missouri property issued by Sequoyah Title. However, by January 2007, First American advised the lender that the lender had made an error in its documents since only one parcel was supposed to be encumbered by the mortgage. This resolved the claim since the lender's counsel agreed with First American and proceeded to amend the foreclosure. A consent judgment was entered a few months later. First American paid no attorney's fees on this claim, nor did the lender request any.

Page 27

The report also says that Claim 3165M shows that First American violated the requirement to keep the insured informed every 45 days of the reasons that additional time is needed to investigate the claim. However, this claim was resolved by January 2007. There was no need for First American to keep lender's counsel aware of the status of its own foreclosure action, and First American was not waiting for additional information to evaluate the claim, nor was the lender waiting to hear from First American since the lender's counsel had agreed that it never should have sought to encumber or to foreclose upon any more than the one parcel that the borrower owned.

3. Open Claims

Page 29

The report asserts that First American failed to complete its investigation within 30 days for Claim MO-0990200615, but the claim letter is dated June 14, 2009, and First

American hired the claimant to handle a curative reformation on June 25, 2009, thus accepting the claim within 11 days.

Page 29

The report also says that First American did not keep the insured informed every 45 days on the status of Claim MO-0990200615, but that is not correct. First of all, the investigation was not open because First American had retained the claimant to pursue a reformation. Secondly, First American's retained counsel kept the insured claimant informed every time anything occurred because the insured claimant was First American's counsel.

Page 30

First American disagrees with three claims cited as supposedly violating the requirement of 45-day updates if the initial investigation is incomplete.

On Claim 3320M, First American responded within five days questioning whether the insured had suffered any loss. That was the result of the initial investigation. The insured never disputed it. In fact, First American never heard from the claimant again.

Claim 4537M was actually an escrow issue, not a claim under the policy. Nevertheless, First American sent a check within a couple of days of receiving the "claim," so that there was no open investigation about which to report.

Claim 3409M was made on June 26, 2007, but First American accepted the claim and retained counsel for the insured on July 9, 2007. Since then, counsel has kept the insured informed of the status of the litigation, but First American's initial investigation of the claim was completed by July 9.

B. Unfair Settlement And General Handling Practices

2. Claims Closed Without Payment

Page 32

The report asserts that First American failed to advise the claimant of all available benefits under the policy on Claim 4017M by not suggesting and paying for an "effective" cure for the alleged over-inclusiveness of the deed of trust. That is wrong for numerous reasons. First, there was a scrivener's error in the deed of trust and policy in describing one line as "thence South 351.08 feet [instead of 351.80 feet] to a point on the South line of said Quarter Quarter Section . . . ." However, the south line of the quarter quarter section is fixed by the U.S. Geologic Survey, so that the property described is one and the same regardless of the transposition of .08 for .80. It would not encumber land that the borrower did not own because it could not go south of the south line of the quarter quarter section. Second, the report reasons that First American should have done more because the policy covers damages caused by the unenforceability of the lien of the insured mortgage on the title, but the mortgage was enforceable upon the property and the borrower's title, and no one ever thought there was ever any more actual land encumbered by the mortgage than was encumbered, so this is an entirely artificial issue, and the only "damage" the insured could have suffered was the inclusion of the unnecessary reformation count in the foreclosure petition, which was not caused by First American. Third, First American disagrees that the scrivener's error affidavit was insufficient to address the issue. Criticism 19 said that First American did not have capacity to amend the deed of trust, but changing the deed of trust whether by

reformation or amendment was not necessary; it was sufficient to demonstrate that the description in the deed of trust was effective to encumber all of the land that the borrower owned, which was all of the land the lender expected to encumber and to be able to foreclose upon. First American paid for the preparation and recording of the affidavit.

3. Open Claims

Page 33

First American disagrees that it failed to make timely reserves with respect to the following four claims.

For Claim 4501M, First American set an appropriate reserve when it learned that retaining counsel would be necessary to correct the asserted problem. The Company cannot make a careful estimate of the loss or loss expense without first concluding an adequate investigation.

For Claim MO-0990200686, the materials submitted with the claim were insufficient to determine whether the insured or a neighbor had superior title to the disputed portion of the property. First American had to order a title search from a local title agent to answer that question and set an appropriate reserve upon receiving the necessary information.

For Claim 4124M, the insured has not submitted proof of any compensable damages under the policy, and First American has requested such documentation. First American cannot set a careful estimate of insured loss when it is not apparent that there is any loss that would be covered by the policy.

For Claim 4507M, First American retained counsel to pursue a quiet title action and made timely reserves for that expense. Only after further investigation and developments in the litigation did it appear that the quiet title action might not be successful to resolve the claim.

C. Other Issues Identified In The Claims Review

Page 34

First American has completed issuing the 84 Anchor Title policies and reissuing the 280 owner's policies with the correct jackets. Nevertheless, the DIFP should recognize that all of the Anchor Title policies in question predated the January 1, 2008, effective date of the statutory requirement to issue policies within 45 days after compliance with the requirements of the title commitment. Also, while the 280 owner's policies should not have been issued with lender's policy jackets, there was no harm to any of the 280 insured owners. The covered risks listed in the lender's policy jacket include all of the covered risks listed in the owner's policy form as well as some additional risks. Finally, First American has not been paid for any of the 84 policies that Anchor Title failed to issue, which is an exception to the 45-day requirement under 20 CSR 500-7.090(2)(C).

Pages 35-36

With respect to Policy 220-239107 involved in Claim L07-0052, First American complied with R.S.Mo. § 381.071 by obtaining an appropriate search of the title. The search revealed that a prior mortgage had not been released, but a credit report revealed that the indebtedness was "closed." First American made an underwriting judgment to

accept the insurance risk. As it turned out, there was no loss to the insured lender because the prior loan had in fact been paid off.

Page 37

First American objects to being criticized for the underwriting practices of Sequoyah Title on Policy 39723 in Claim 3165M since, as First American has previously informed the DIFP, Sequoyah was never authorized to write First American policies on Missouri property. Its actions were entirely *ultra vires*, and First American's Missouri operations had no opportunity to train or audit this Oklahoma agent.

Pages 41-42

Likewise, First American objects to the multiplication of violations asserted with respect to Sequoyah Title. Certainly, a title insurer is required to report premiums accurately and keep records of policies issued, as noted in paragraphs (a) and (b), but First American has the problems described in those regards with respect to Sequoyah Title precisely because, as noted in paragraph (d), Sequoyah was not authorized to write First American policies in Missouri. Further, with respect to paragraph (c), R.S.Mo. § 375.022 authorizes the Director to share information concerning agents with insurance commissioners in other states, but First American's obligation under § 375.022.5 is to update its register of appointed insurance producers in Missouri and inform the Director of the reason for the change, if covered by R.S.Mo. 375.141, but there was no update to make with respect to Sequoyah since it was never appointed in Missouri.

IV. CRITICISMS AND FORMAL REQUESTS TIME STUDY.

First American made every effort to respond fully and timely to both requests and criticisms from the examiners. First American takes very seriously its adherence to regulatory and compliance matters. With respect to the one subpoena that was issued, First American notes that it responded to the subpoena completely and timely without an extension of time. Further, First American had previously produced some of the documents responsive to the subpoena in response to Request 4.

STATE OF MISSOURI
DEPARTMENT OF INSURANCE, FINANCIAL INSTITUTIONS
AND
PROFESSIONAL REGISTRATION

FINAL CONDUCT EXAMINATION REPORT
Of the Title Insurance Business of

First American Title Insurance Company
NAIC # 50814

MISSOURI EXAMINATION # 0906-24-TGT

NAIC EXAM TRACKING SYSTEM # MO268-M124

November 12, 2012

Home Office
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FOREWORD

This is a targeted market conduct examination report of the First American Title Insurance Company, (NAIC Code #50814). This examination was conducted at the offices of various title insurance agents of First American Title Insurance Company, located throughout the State of Missouri, and at the offices of the Missouri Department of Insurance, Financial Institutions and Professional Registration (DIFP).

This examination report is generally a report by exception. However, failure to criticize specific practices, procedures, products or files does not constitute approval thereof by the DIFP.

During this examination, the examiners cited errors made by the Company. Statutory citations were as of the examination period unless otherwise noted.

When used in this report:

- "Company" or "First American" refers to First American Title Insurance Company;
- "CSR" refers to the Missouri Code of State Regulation;
- "DIFP" refers to the Missouri Department of Insurance, Financial Institutions and Professional Registration;
- "Director" refers to the Director of the Missouri Department of Insurance, Financial Institutions and Professional Registration;
- "NAIC" refers to the National Association of Insurance Commissioners; and
- "RSMo" refers to the Revised Statutes of Missouri.

SCOPE OF EXAMINATION

The DIFP has authority to conduct this examination pursuant to, but not limited to, §§374.110, 374.190, 374.205, 375.445, 375.938, and 375.1009, RSMo, and Chapter 381, RSMo.

The purpose of this examination was to determine if the Company complied with Missouri statutes and DIFP regulations and to consider whether the Company's operations are consistent with the public interest. The primary period covered by this review is January 1, 2007, through July 31, 2009, unless otherwise noted. Errors outside of this time period discovered during the course of the examination, however, may also be included in the report.

The examination was a targeted examination involving the following business functions and lines of business: title contracts, underwriting and rating, claims handling, marketing and sales.

The examination was conducted in accordance with the standards in the NAIC's *Market Regulation Handbook*. As such, the examiners utilized the benchmark error rate guidelines from the *Market Regulation Handbook* when conducting reviews that applied a general business practice standard. The NAIC benchmark error rate for claims practices is seven percent (7%) and for other trade practices is ten percent (10%). Error rates exceeding these benchmarks are presumed to indicate a general business practice. The benchmark error rates were not utilized, however, for reviews not applying the general business practice standard.

In performing this examination, the examiners only reviewed a sample of the Company's practices, procedures, products and files. Therefore, some noncompliant practices, procedures, products and files may not have been discovered. As such, this report may not fully reflect all of the practices and procedures of the Company. As indicated previously, failure to identify or criticize improper or noncompliant business practices in this state or other jurisdictions does not constitute acceptance of such practices.

COMPANY PROFILE

The following Company profile was provided to the examiners by the Company and states the following, in relevant part:

> First American Title Insurance Company, a California domiciled title insurer (Company or First American), transacts the business of title insurance through a network of direct operations and carefully selected agents. Through this network, the Company issues title insurance policies and related escrow services in the forty-nine (49) states that permit the issuance of title insurance policies, and the District of Columbia. In Iowa, First American provides abstracts of title only; title insurance is not permitted by law. The Company also offers title insurance and similar products, either directly or through joint ventures, in foreign countries, including Canada, the United Kingdom and various other established and emerging markets. First American offers comprehensive support services, experienced local and regional underwriting counsel, the latest Web technology, and same-day response to residential and commercial transaction requests.
>
> While its predecessors date back to 1894, First American was formed under the laws of the State of California on September 24, 1968. Approximately ten years later, the Company received a Certificate of Authority "to write Title insurance in the State of Missouri as of May 6, 1977."
>
> First American has offices throughout the nation providing title insurance and related escrow services for residential and commercial clients with complex, multi-state and multi-site transactions. Lenders who finance residential, commercial and industrial projects valued at hundreds of millions of dollars require associations with title insurance companies that possess strong financial strength. First American's financial strength is unmatched in the industry: low debt-to-capital ratio and strong capital position; high surplus-to-premiums ratio keeping its claims-paying ability strong; more capital in reserves for every dollar in premiums written; ample liquidity to meet future claim obligations; and a conservative balance sheet which cushions First American against a challenging economic environment.
>
> The Company has undergone rigorous quantitative analysis and, throughout the economic downturn, has maintained strong financial strength ratings:

Rating Agency	First American
Fitch	A-
Moody's	A3
A.M. Best	A-
Standard & Poor's	BBB+

A member of The First American Corporation, a Fortune 500 company trading on the New York Stock Exchange under the ticker name "FAF," First American is a title insurance company managed by experienced professionals. Its title professionals are known widely throughout the industry. First American distinguishes itself from its competitors by experience, industry knowledge, financial strength, as well as service excellence, responsiveness to client requests, a strong regulatory-compliance history and a commitment to integrity and trust.

As of June 1, 2010, the parent company of First American Title Insurance Company is First American Financial Corp., which is still traded as NYSE:FAF.

EXECUTIVE SUMMARY

The DIFP conducted a targeted market conduct examination of First American Title Insurance Company. The examiners found the following principal areas of concern:

- The examiners found 25 instances where agents of the Company were not properly licensed with the DIFP.
- The examiners found one instance where the Company used forms not filed with the DIFP.
- The Company collected an incorrect premium in 27 files.
- The examiners found 85 files where the Company failed to issue the policy within 45 calendar days after compliance with the requirements of the Commitment for Title insurance.
- The examiners found 280 files where the Company failed to issue the correct policy within 45 calendar days after compliance with the requirements of the Commitment for Title insurance.
- The examiners found 25 instances where the Company failed to maintain records sufficient to ascertain the Company's practices.
- The examiners found 30 instances where the Company failed to use a title plant in preparing the search of title, performed no search, an inadequate search, or failed to document the search of title.
- The Company delayed recording deeds without explanation in 11 instances.
- The examiners found two instances where the Company issued a title insurance policy or commitment to insure without showing all outstanding, enforceable and recorded liens or other interests against the title to be insured.
- The Company closed an escrow transaction in a manner contrary to the lender's instructions in three files.
- The Company failed to document the required Closing Protection Letter Waiver in one file.

- The Company failed to acknowledge claims within 10 working days in nine files.

- The Company failed to accept or deny claims within 15 working days after receiving all information needed for determination of the nature and extent of the claim in 16 files.

- The Company failed to investigate claims within 30 days after the notification of claim in 10 files.

- The Company did not keep first party claimants regularly informed of reasons for delays in processing claims in 11 instances.

- In seven instances, the Company did not timely establish proper reserves for known claims that might result in a loss or cause expense to be incurred.

- In one instance the Company failed to report an agent termination to the DIFP.

- The examiners found two of the Company's policies issued by an agency without a written contract in force between the parties.

- The Company failed to fully disclose to a first party claimant all pertinent benefits coverage or to the provisions of the insurance policy under which a claim was presented in two instances.

- In one instance the Company denied a claim without referencing the policy provision under which the claim was denied.

- In one file the Company failed to use sound underwriting practices by accepting the risk of an unsatisfied mortgage based on a credit report.

- In one file the insurer failed to inform the insured of all affiliated business disclosures.

- In one instance, the Company failed to file a statement of premiums collected with the Director.

Various non-compliant practices were identified, some of which may extend to other jurisdictions. When applicable, corrective action for other jurisdictions should be addressed.

EXAMINATION FINDINGS

I. SALES AND MARKETING

This section of the report details the examination findings regarding the Company's compliance with the laws that monitor marketing practices. The items reviewed were the Company's Certificate of Authority for Missouri, licensing records pertaining to the Company's sales personnel, and product marketing/advertising materials.

A. Company Authorization

Missouri law determines which companies may sell insurance and the lines of insurance these companies may sell by requiring that each obtain the appropriate authority to transact the business of insurance. To protect the consumer, Missouri enacted laws and regulations to ensure that companies provide fair and equal treatment in its business dealings with Missouri citizens. An insurance company receives a Certificate of Authority that allows it to operate within the state only after it complies with certain application requirements regulated by the DIFP.

First American Title Insurance Company, a California corporation, has current authority in Missouri to transact business in the following lines of insurance:

Title Insurance

Regarding the Company's operation in Missouri, the examiners found First American Title Insurance Company to be operating within the scope of its Certificate of Authority.

B. Licensing of Producers and Producer Entities

Missouri law requires the Company to sell its insurance products through individuals and entities which the DIFP licenses. The Missouri licensing process intends to protect the public interest by requiring title insurance agents pass examinations in order to qualify for a license. This process seeks to ensure that the prospective producer is competent and trustworthy.

The examiners found the following errors during their review:

A title officer of First American Title Insurance Company of New York issued the final policy of title insurance on a Missouri transaction, dated 6/6/2008. The policy issued insures title in an island located in the Mississippi River, in Missouri. The Company's title officer made determinations of insurability in issuing the policy of title insurance but was not properly licensed for that purpose by the Director of the DIFP. Only agents properly licensed by the Director to do business in Missouri may determine insurability in issuing policies of title insurance in Missouri.

Reference: §§375.015.2 - .6, and 375.017, and 381.031.17 - .19, RSMo (1994)and §381.115, RSMo.

Three files reviewed involved title insurance transactions processed through First American Lenders Advantage, which is a division of First American Title Insurance Company. A business entity acting in the capacity of a title insurance agency must be licensed for that purpose by the Director of the DIFP. Individuals acting in the capacity of a title insurance agent must be licensed for that purpose by the Director. The following First American Lenders Advantage personnel were involved in processing, analyzing, and accepting or declining transfers of risk in transactions leading to title insurance policies in Missouri. These individuals were not licensed as title agents by the DIFP.

Ann E. Breese	Jeffery Williams	Amy Metzger
Alyssa Hopponen	Patricia Spillane	Beverly Barber
Shadawn Brown	Angie Cole	Susan Cuson
Tammi Hannah	Fredricka Thomas	Pam Rutherford
Colen Brodsky	Matthew Wilbanks	Doug Carpenter
Sarah McGinty	David Matthews	Diana Helm
Carolyne Merlington	Paula Williams	Angie Cole
Marie Anderson	Kimberly Johnson	

Reference: §§381.031.17 - .19, RSMo (1994), and §§375.015.2 - .6, 375.017, and 381.115, RSMo.

C. Marketing Practices

Missouri law requires that the Company be truthful and provide full disclosure in the sale and promotion of its insurance products. The examiners reviewed the Company's marketing and advertising materials, including training practices for producers, for the period January 1, 2008, through July 31, 2009, to ensure they were not in violation of Missouri statutes or regulations, examiners looked for statements that were not truthful, misleading comparisons to other products, sources for all statistics, rebate offers and unlicensed producers. The Company markets its products through direct operations, affiliated agents and independent agents.

The examiners found the following concern during this review.

In its FACT Master Loan Policy program, First American and certain of its subsidiaries have entered into agreements with various lenders. Those agreements are generally captioned "FACT Service Agreement" or "FACT XL Service Agreement." The examiner reviewed copies of 29 such agreements supplied by the Company.

The agreements describe a process to be followed by a lender in determining whether a loan will be considered eligible for coverage under the FACT Master Loan Policy. The lender in each case makes the primary determination that the mortgage is to be covered

under the policy. First American provides certain administrative and ancillary services to the lender in order to facilitate the lender's determination that the mortgage will be covered.

The following errors were found relative to the FACT Master Loan Policy program.

1. By way of the FACT Service Agreements, the Company has entered into agency agreements with parties who are not licensed as agencies by the Director of DIFP.

   A title insurer is not permitted to contract with any person to act in the capacity of a title agency or title agent relative to risks located in Missouri, unless that person is licensed as required.

Reference: §381.115.1 and .4, RSMo

2. The agreements specify that the lender is to retain all records developed during the process of underwriting each transaction certificate evidencing coverage of a particular mortgage. The agreements require the lender maintain the records only for the life of the individual loan.

   Evidence of the examination of title and determination of insurability shall be preserved and retained in the files of the title insurer or its title agent or agency for a period of not less than 15 years after the title insurance policy has been issued.

   The Company has failed to maintain evidence of the examination of title and determination of insurability in its files.

Reference: §381.071.3, RSMo (1994)

3. All of the FACT Service Agreements define the requirements to be satisfied for coverage under the policy and include one or more provisions modifying the terms of the policy filed with the director.

   The FACT Service Agreements operate as a commitment, binding the insurer to recognize individual mortgages as insured once the lender has made a judgment that the described requirements have been met. The agreements also operate as endorsements to the policy filed with the director. However, these FACT Service Agreements have not been filed with the director.

   No title insurer shall issue or agree to issue any standard form of title insurance binder, title insurance commitment, preliminary report, title insurance policy, title insurance form endorsement, other contract of title insurance, or any related form, unless the forms are filed with the director.

Reference: §381.085, RSMo, §381.211, RSMo (1994), 20 CSR 500 – 7.100(3)(A) and 20 CSR 500 – 7.130(1)(A)

4. None of the FACT Service Agreements provide for search and examination standards sufficient to permit a decision by the insurer to accept transfer of risk based on sound underwriting practices. The agreements are instead structured to permit and cause the insured lenders to make the decision that a particular mortgage will be insured under the terms of the policy.

The following clauses appear in one or more of the agreements reviewed:

- Lender shall, in its sole discretion, determine whether Lender will make a loan to a Proposed Borrower. In the event Lender elects to make such a loan, Lender may include the Mortgage Lien as an Insured Mortgage by satisfying the following conditions of coverage: . . .. (An agreement dated 7/23/2004.)
- First American has elected to allow all Mortgage Liens originated by the Lender's consumer lender operations to become eligible to be Insured Mortgages if all other conditions contained in this Agreement are met. (An agreement dated 9/23/2003.)
- First American recognizes that Lender utilizes a proprietary underwriting approach. First American agrees that loans that Lender has approved and submitted hereunder are eligible for the Program at First American's risk. (An agreement dated 7/14/2005.)
- Lender will underwrite the transaction consistent with its credit policy, without receiving a pre-closing title report. (An agreement dated 2/1/2007.)

The insurer is not permitted to issue or to offer to issue a policy of title insurance without first causing a search of title to be made and without first causing to be made a determination of insurability in accordance with sound underwriting practices.

Reference: §381.071, RSMo (1994), and 20 CSR 500-7.200

II. UNDERWRITING AND RATING PRACTICES

This section of the report is designed to provide a review of the Company's underwriting and rating practices. These practices included the use of policy forms, adherence to underwriting guidelines, assessment of premium, and procedures to decline or terminate coverage. Examiners reviewed how the Company handled new and renewal policies to ensure that the Company underwrote and rated risks according to their own underwriting guidelines, filed rates, and Missouri statutes and regulations.

Because of the time and cost involved in reviewing each policy/underwriting file, the examiners utilize sampling techniques in conducting compliance testing. A policy/underwriting file is determined in accordance with 20 CSR 100-8.040 and the *NAIC Market Regulation Handbook*. Error rates are established when testing for compliance with laws that apply a general business practice standard (e.g., §§375.930 – 375.948 and §375.445, RSMo) and compared with the NAIC benchmark error rate of ten percent (10%). Error rates in excess of the NAIC benchmark error rate are presumed to indicate a general business practice contrary to the law. Errors indicating a failure to comply with laws that do not apply the general business practice standard are separately noted as errors and are not included in the error rates.

The Company utilizes direct operations, affiliated agencies and independently owned agencies to provide their product to Missouri consumers. Each of these areas of business was reviewed separately.

The examiners also reviewed the Company's procedures, rules, and forms filed by or on behalf of the Company with the DIFP. The examiners randomly selected the policies for review from a listing furnished by the Company.

An error can include, but is not limited to, any miscalculation of the premium based on the information in the file, an improper acceptance or rejection of an application, the misapplication of the Company's underwriting guidelines, incomplete file information preventing the examiners from readily ascertaining the Company's rating and underwriting practices, and any other activity indicating a failure to comply with Missouri statutes and regulations.

A. Forms and Filings

The examiners reviewed the Company's policy and contract forms to determine its compliance with filing, approval, and content requirements, and to ensure that the contract language is not ambiguous or misleading and is adequate to protect those insured.

The examiners found no errors during their review.

B. **Underwriting and Rating**

The examiners reviewed title and policy files to determine the accuracy of rating and adherence to prescribed and acceptable underwriting criteria.

Direct Operations

Field Size: 349
Sample Size: 50
Type of Sample: Random

In the following 22 files, the title insurer collected premium in excess of the premium schedules filed by the Company with the director.

File	Policy	Overcharge Amount Reported on Policy
353944-OPKS	353944L	$40.00
NCS-348612-STLO	348612L1	$40.00
NCS343259-STLO	343259L	$40.00
NCS-347339-KCTY	347339L	$40.00
NCS-351219-KCTY	351219L	$40.00
NCS-281991-STLO	281991L1	$288.00
NCS-356324-STLO	356324L	$40.00
NCS-354994-KCTY	354994L	$40.00
NCS-355968-KCTY	355968L	$40.00
NCS-354894-KCTY	354894L	$40.00
NCS-357437-KCTY	357437L	$43.00
NCS-346668-OPKC	346668L	$40.00
NCS-352391-STLO	352391L	$334.00
353488	353488L	$39.99
352055	352055	$40.00
351373	351373	$40.00
350995	350995	$40.00
350239L	35239L	$39.96
348528	348528	$39.97
347958	349758	$40.00
342916	342916	$40.00
320861	320861	$96.00

No title insurer, agent or agency may use or collect any premium except in accordance with the premium schedules filed by the Company with the director.

Reference: §381.181, RSMo (1994), 20 CSR 500-7.100, and related form T-7

In the following file, the title insurer collected less premium than required by the premium schedules filed by the Company with the director.

File	Policy	Undercharge Amount
346524	346524	$36.76

No title insurer, agent or agency may use or collect any premium except in accordance with the premium schedules filed by the Company with the director.

Reference: §381.181, RSMo (1994), 20 CSR 500-7.100, and related form T-7

The following file does not contain a statement of the premium collected for the issuance of the policy.

File	Policy
NCS-347044-NY	347044

No policy is to be issued unless it contains a statement of the premium collected for the issuance of the policy.

Reference: §381.085, RSMo, and 20 CSR 500-7.130(1)(B)

The Company took more than 45 days to issue policies in each of the following 21 files.

File	Policy	Date all Requirements Were Met	Mailed	Days
NCS-353944-OPKS	353944K	8/29/08	3/18/09	201
NCS-346453-STLO	346453O	9/10/08	4/8/09	210
NCS-346668-OPKS	346668L	5/23/08	7/17/08	55
NCS-348612-STLO	348612L1	4/28/08	9/22/08	147
NCS-352391-STLO	352391L	8/19/08	10/16/08	58
NCS-356324-STLO	356324	7/7/08	2/6/09	214
NCS-354994-KCTY	354994	6/13/08	11/18/08	158
NCS-354894-KCTY	354894	7/8/08	9/5/08	59
NCS-355557-KCTY	355557	6/23/08	11/6/08	146
NCS-347787-STLO	347787	5/2/08	4/12/10	710
NCS-357437-KCTY	357437	7/23/08	11/20/08	120
NCS-355968-KCTY	355968	8/14/08	10/28/08	75
NCS-343316-KCTY	343316	5/27/08	7/17/08	57
NCS-342916-STLO	342916	7/9/08	9/4/08	57
NCS-349721-STLO	349721	8/29/08	12/16/08	144
NCS-344016-STLO	344016	9/22/08	5/20/09	240
NCS-281991-STLO	281991	10/1/08	12/10/08	70
NCS-320861-KCTY	320861	1/4/08	4/26/08	113
NCS-350778-KCTY	350778	11/19/09	1/13/10	55
NCS-348285-KCTY	348285	7/7/08	10/31/08	116
NCS-347339-KCTY	347339	5/20/08	7/28/08	69

The Missouri title insurance law requires that a title insurance policy be issued within 45 days after compliance with the requirements of the commitment for title insurance unless certain circumstances apply.

Reference: §381.038.3, RSMo, and 20 CSR 500-7.090(2) & (3)

In the following seven files the Company failed to maintain records in a manner allowing practices of the insurer to be readily ascertained during a market conduct examination. Specifically, the examiners could not determine if the policy was issued within 45 days after compliance with the requirements of the commitment for title insurance unless certain circumstances apply. The Company did not provide documentation of the date the insurance policy was mailed

Files
349259
350023
350374
356670
351219
352733
347787

Evidence of the examination of title and determination of insurability generated by a title insurer engaged in direct operations must be preserved and maintained by the insurer for as long as appropriate to the circumstances, but in no event less than 15 years after the title insurance policy has been issued. The Company must maintain its records in a manner so that the Company's practices may be readily ascertained during a market conduct examination.

Reference: 381.071.3, RSMo (1994) and 20 CSR 100-8.040(2) and (3)(A)

The Company did not perform an adequate search of title in the following 10 files. The files provided did not contain evidence of a title search.

File	File
344599	347787
347044	356670
346524	344016
342916	346453
320861	342786

No title insurance policy shall be written unless and until the title insurer, title agent, or agency has caused an adequate search of title to be made from a title plant where available or from the best title evidence available where no title plant is available.

Reference: §381.071, RSMo (1994), and 20 CSR 100-8.040

The Company omitted as exceptions certain matters known to affect the title insured.

File	Policy
344599	344599

No title insurer, title agent, or agency shall knowingly issue any owner's title insurance policy or commitment to insure without showing all outstanding, enforceable recorded liens or other interests against the title to be insured.

Reference: 381.071.2, RSMo (1994)

The Company recorded deeds more than five business days after disbursing funds from a closing in the following file.

File	Policy	Disbursed	Recorded	Bus. Days
349721	349721	7/25/08	8/29/08	25**

** Note the deed in this file was originally filed in the wrong county on 8/5/08, seven days after the transaction closed. The error was corrected 25 days after the transaction closed.

The settlement agent must present deeds and security instruments for recording within five business days of any escrow closing it has handled.

Reference: §381.026.1, RSMo

Affiliated Agencies

Field Size: 24,930
Sample Size: 50
Type of Sample: Random

In the following two files, the title insurer collected less premium than required by the premium schedules filed by the Company with the Director.

File	Policy	Undercharge Amount
1078898	LP1078898	$11.12
847011	LP847011	$45.80

No title insurer, agent or agency may use or collect any premium except in accordance with the premium schedules filed by the Company with the director.

Reference: §381.181, RSMo (1994), 20 CSR 500-7.100, and related form T-7

The Company took more than 45 days to issue policies in each of the following eight files.

File	Policy	Date All Requirements Met	Mailed	Days
1044973	LP1044973	2/25/10	6/13/10	95
828922	LP828922 OP828922	3/22/07 (1/1/08)	4/15/10	470
1079098	OP1079098	5/1/09	6/23/09	53
827223	LP827223	3/20/07 (1/1/08)	3/30/08	89
915274	LP915274	11/7/07 (1/1/08)	8/19/08	231
974896	OP974896	5/14/08	10/30/08	169
1008324	OP1008324	8/8/08	9/24/08	57
841016	LP841016	4/27/07 (1/1/08)	3/11/08	70

The Missouri title insurance law requires that a title insurance policy be issued within 45 days after compliance with the requirements of the commitment for title insurance unless certain circumstances apply.

Note: For policies that could have been issued in 2007, the days are calculated from January 1, 2008, the effective date of Section 381.038.3, RSMo

Reference: §381.038.3, RSMo, and 20 CSR 500-7.090(2) and (3)

The Company did not perform a search of title in the following file. The file provided did not contain evidence of a title search.

File
868176

No title insurance policy shall be written unless and until the title insurer, title agent, or agency has caused an adequate search of title to be made from a title plant where available or from the best title evidence available where no title plant is available.

Reference: §381.071, RSMo (1994)

The Company omitted as exceptions certain matters known to affect the title insured in the following policy file.

File	Policy
853087	OP853087 LP853087

No title insurer, title agent, or agency shall knowingly issue any owner's title insurance policy or commitment to insure without showing all outstanding and enforceable recorded liens or other interests against the title to be insured.

Reference: §381.071.2, RSMo (1994)

In the following file, the Company closed an escrow transaction in a manner contrary to the instructions of a mortgage lender. The Company failed to use sound underwriting practices.

File	Policy	Date of Closing
827223	OP827223 LP827223	3/12/2007

The Company closed a transaction without using sound underwriting practices.

Reference: §381.071.1(2) & 2, RSMo (1994)

In the following file, the Company disbursed funds held in escrow without first obtaining written instructions specifying under what conditions and to whom such funds could be disbursed.

File	Policy	Date of Closing
1079098	OP1079098	4/17/2009

The Company disbursed funds held in escrow without written instructions specifying under what conditions and to whom such funds may be disbursed.

Reference: §381.022.3(4), RSMo

The Company recorded deeds more than five business days after disbursing funds in the following five files.

File	Policy	Disbursed	Recorded	Bus. Days
1044973	LP1044973	2/25/09	3/10/09	9
1094225	LP1094225	5/26/09	6/16/09	18
1078898	LP/OP1078898	5/20/09	6/3/09	10
1079098	OP1079098	4/20/09	5/1/09	9
1008324	OP1008324	7/22/08	8/8/08	8

After January 1, 2008, the settlement agent was required to present deeds and security instruments for recording within five business days of any escrow closing it handled.

Reference: §381.026.1, RSMo

The Company recorded deeds more than three business days after disbursing funds from a closing in the following five files.

File	Policy	Disbursed	Recorded	Bus. Days
847011	OP847011 LP840711	4/30/07	6/11/07	28
828922	OP828922 LP828922	3/16/07	3/22/07	4
860673	OP860673 LP860673	6/27/07	7/3/07	4
827223	OP827223 LP827223	3/13/07	3/20/07	5
853087	LP/OP853087	5/16/07	5/22/07	4

Prior to January 1, 2008, the settlement agent was required to present deeds and security instruments for recording within three business days of any escrow closing it has handled.

Reference: §381.412.1, RSMo (2000)

Independent Agents

Field Size: 36,196
Sample Size: 50
Type of Sample: Random

The examiner found the following errors in this review:

The Company took more than 45 days to issue policies in the following two files.

File	Policy	Date Requirements Were Met	Mailed	Days	Agent
09-44896	LPM55586	5/28/09	7/14/09	49	Allen Abst. Tlte
PT-09-0738-SL	OPM25034	1/30/09	3/18/09	50	Pulaski Ttle, Stl

The Missouri title insurance law requires that a title insurance policy be issued within 45 days after compliance with the requirements of the commitment for title insurance unless certain circumstances apply.

Reference: §381.038.3, RSMo, and 20 CSR 500-7.090(2) & (3)

In the following 16 files, the Company failed to maintain records in a manner so that the practices of the insurer could be readily ascertained during a market conduct examination. Specifically, the examiners could not determine if the policy was issued

within 45 days after compliance with the requirements of the commitment for title insurance unless certain circumstances apply. The Company did not provide documentation of the date the insurance policy was mailed

File	Policy Number	Agency
9463	LPM47994	Nodaway
098184	SRM13260 (LP)	Touchstone
098325	SRM13462 (LP)	Touchstone
14229	OPM31549	Bollinger Co.
G20253C	SRM17917 (LP)	Gateway
F15580a	OPM25274	Emmons
0855940W	LPM00038021	DD Hamilton
DCA08-1153	LPM31711/OP30496	Dent Co
082412	LPM48566	Western Mo
08-18211	LPM38489/OP31987	Reliable
00080916	OPM32324	First Priority
WL784608	LPM626503	Mt. View
WL790208	LP628683/OP321070	Mt. View
77148	OPM28000	GBS
0180112	LPM51666/OP30246	Hogan
02801997	LPM28190	Preferred

Evidence of the examination of title and determination of insurability generated by a title insurer engaged in direct operations must be preserved and maintained by the insurer for as long as appropriate to the circumstances but in no event less than 15 years after the title insurance policy has been issued. The Company must maintain its records in a manner so that the Company's practices may be readily ascertained during a market conduct examination.

Reference: 381.071.3, RSMo (1994), and 20 CSR 100-8.040(2) and (3)(A)

The following 13 files provided did not contain evidence of a title search. The Company failed to provide documentation that an adequate title search was conducted prior to closing.

File	Agent
PT-09-0738	Pulaski, Stl
91075	Landmann
DCA-08-1153	Dent Cnty
F-15580a	Emmons
0721231	Boone
02073553	Continental
90224	Continental
71073	Continental
62155	Continental

File	Agent
62039	Continental
9-04853	US Title
904149	US Title
PT-09-1261-SL	Pulaski Title

No title insurance policy shall be written unless and until the title insurer, title agent, or agency has caused an adequate search of title to be made from a title plant where available or from the best title evidence available where no title plant is available.

Reference: §381.071, RSMo (1994) and 20 CSR 100-8.040

The Company is required to provide a Closing Protection Letter (CPL) waiver document to the buyer. Evidence of the CPL waiver must be documented in the file. In the following file evidence of the CPL waiver was not found in the file.

File	Agency
9-04853	US Title

The Company failed to maintain the required buyers CPL document in the file.

Reference: §§381.022.5 and .6 and 381.058.3(1), RSMo, 20 CSR 500-7.060(2)(A) and (B), 20 CSR 500-7.130(2), and 20 CSR 100-8.040, and related form T-3

The Company or its agent listed the risk rate of $88.00 as the "Total Charges" on the face of the policy. However, the "Risk Rate:" was left blank.

File	Policy
3901-829956-09	1102153-623

The Company issued a title insurance policy that did not contain the premium collected for the issuance of the policy as calculated from the risk rate filed with the DIFP.

Reference: 381.181, RSMo (1994), and 20 CSR 500-7.130(1)(B)

III. CLAIMS PRACTICES

This section of the report is designed to provide a review of the Company's claims handling practices. Examiners reviewed how the Company handled claims to determine the timeliness of handling, accuracy of payment, adherence to contract provisions, and compliance with Missouri statutes and regulations.

To minimize the duration of the examination, while still achieving an accurate evaluation of claim practices, the examiners reviewed a statistical sampling of the claims processed. The examiners requested a listing of claims paid and claims closed without payment during the examination period for the line of business under review. The review consisted of Missouri claims selected from a listing furnished by the Company with an open date of January 1, 2007, through July 31, 2009.

A claim file is determined in accordance with 20 CSR 100-8.040 and the NAIC *Market Regulation Handbook*. Error rates are established when testing for compliance with laws that apply a general business practice standard (e.g., §§375.1000 – 375.1018 and §375.445) and compared with the NAIC benchmark error rate of seven percent (7%). Error rates in excess of the NAIC or statutory benchmark error rates are presumed to indicate a general business practice contrary to the law. Errors indicating a failure to comply with laws that do not apply the general business practice standard are separately noted as errors and are not included in the error rates.

A claim error includes, but is not limited to, any of the following:

- An unreasonable delay in the acknowledgement of a claim.
- An unreasonable delay in the investigation of a claim.
- An unreasonable delay in the payment or denial of a claim.
- A failure to calculate claim benefits correctly.
- A failure to comply with Missouri law regarding claim settlement practices.

The examiners reviewed the claim files for timeliness. In determining timeliness, examiners looked at the duration of 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.

Missouri statutes require the Company to disclose to first-party claimants all pertinent benefits, coverage or other provisions of an insurance policy under which a claim is presented. Claim denials must be given to the claimant in writing, and the Company must maintain a copy in its claim files.

A. Claims Time Studies

To test for compliance with timeliness standards, the examiners reviewed claim records and calculated the amount of time taken by the Company for claims processing. They reviewed the Company's claims processing practices relating to (1) the acknowledgement of receipt of notification of claims; (2) the investigation of claims; and (3) the payment of claims or the providing of an explanation for the denial of claims.

DIFP regulations require companies to abide by the following parameters for claims processing:

- Acknowledgement of the notification of a claim must be made within 10 working days.
- Completion of the investigation of a claim must be made within 30 calendar days after notification of the claim. If more time is needed, the Company must notify the claimant and send follow-up letters every 45 days.
- Payment or denial of a claim must be made within 15 working days after investigation of the claim is complete.

1. Paid Claims

Field Size:	676 total 170 files paid pre 8/28/2007 506 files paid post 8/28/2007
Sample Size:	50 total 34 files paid pre 8/28/2007 16 files paid post 8/28/2007
Type of Sample:	Random
Number of Errors:	5 total 4 files paid pre 8/28/2007 1 file paid post 8/28/2007
Error Ratio:	10% total 11% of files paid pre 8/28/2007 6% of files paid post 8/28/2007
Within Dept. Guidelines:	No total No files paid pre 8/28/2007 Yes files paid post 8/28/2007

The examiners noted the following exceptions during their review:

The Company failed to issue an acknowledgement to a claim within 10 working days. This error occurred in one of 50 files reviewed.

Claim	File	Date Claim Received	Date Claim Ackn.	Agency
2576M	OP528440	4/18/05	None	Direct

The Company must acknowledge the receipt of a claim within 10 working days.

Reference: §375.1007(2), RSMo, and 20 CSR 100-1.030(1), and (2)

The Company failed to accept or deny the following claims within 15 working days after all information needed was received. This error occurred in five of the 50 files reviewed.

Claim	File	Date All Info. Received	Date Accepted	Number Working of Days	Agency
2576M*	OP528440	4/18/05	6/14/05	39	Direct
4232M	LP572343	9/25/08	10/21/08	17	Exp. Fin. Serv.
2651M	OP5111562	6/23/05	7/29/05	25	Lake Ozark
L07-0111	CW579802	1/25/07	2/21/07	17	Continental
2866M	220-136872	2/2/06	3/3/06	19	Netco

The Company must accept or deny the claim within 15 working days of the submission of all forms necessary to establish the nature and extent of the claim.

Reference: §375.1007(4), RSMo, and 20 CSR 100-1.050(1)(A)

NOTE: A star (*) after a policy number denotes that the policy was cited earlier in the claim time study for a different error, but was only counted once in the number of errors herein.

2. Closed Without Payment

Field Size:	482 total 111 files rec'd pre 8/28/2007 371 files rec'd post 8/28/2007
Sample Size:	50 total 10 files rec'd pre 8/28/2007 40 files rec'd post 8/28/2007
Type of Sample:	Random
Number of Errors:	6 total 5 files rec'd pre 8/28/2007 1 file rec'd post 8/28/2007
Error Ratio:	12% total 50% of files rec'd pre 8/28/2007 2.5% of files rec'd post 8/28/2007
Within Dept. Guidelines:	No total No files rec'd pre 8/28/2007 Yes files rec'd pre 8/28/2007

The examiners noted the following exceptions during their review:

The Company failed to accept or deny the following claims within 15 working days after all information needed was received. This error occurred in five of the 50 files reviewed.

Claim	File	Date All Information Received	Date Accepted	Number of Working Days	Agency
3594M	230-138983	9/21/2007	11/19/2007	37	Netco
3454M	LP381080	2/27/2008	None	428**	Hall Title
3312M	SR 760377	2/22/2007	None	672**	Gateway
4017M	LP239951	5/28/08	None	406**	First Am
3165M	39723	12/13/06	None	791**	Sequoyah

**Number of working days measured to date of criticism.

The Company must accept or deny the claim within 15 working days of the submission of all forms necessary to establish the nature and extent of the claim.

Reference: §375.1007(4), RSMo, and 20 CSR 100-1.050(1)(A)

In the following file the Company failed to conduct an investigation within 30 days of receiving the claim.

Claim No.	Policy No.	Claim Received	Investigation Completed	Number of Days	Agent
7146742	100034	2/12/07	No Invest.	1117**	First Am Lenders Adv.

**Number of working days measured to date of criticism.

The insurer must complete an investigation of a claim within 30 days after notification of the claim unless the investigation cannot reasonably be completed with this time.

Reference: §375.1007(3), RSMo, and 20 CSR 100-1.040 (as amended, 20 CSR 100-1.050(4), eff. 7/30/08)

The examiners found that the Company failed to inform the insured every 45 days after initial notification of the claim by not sending the claimant a letter setting forth the reasons additional time was needed for investigation in the following files.

Claim	File	Agency
4017M*	LP239951	First Am
3165M*	39723	Sequoyah

If the investigation remains incomplete, the insurer, within 45 days from the date of the initial notification and every 45 days thereafter, must send the claimant a letter setting forth the reasons additional time is needed for investigation.

Reference: §375.1007(3) and (4), RSMo, and CSR 100-1.050(1)(C)

NOTE: A star (*) after a policy number denotes that the policy was cited earlier in the claim closed without payment time study for a different error, but was only counted once in the number of errors herein.

3. Open Claims

Field Size:	328
Sample Size:	50
Type of Sample:	Random
Number of Errors:	21
Error Ratio:	42%
Within Dept. Guidelines:	No

The examiners noted the following exceptions during their review:

In the following eight files, the Company failed to issue a claim acknowledgement to a claim within 10 working days of receiving the claim.

Claim	Policy	Claim Received	Date Ackn.	Number of Days to Ackn.	Agency
4241M	LP579194	09/12/08	09/30/08	12	Tri-Lakes
3792M	220-227223	02/09/08	04/17/08	34	Talon Grp
4198M	655989	08/15/08	09/08/08	15	Express Financial
3738	LP03155-05	12/12/07	01/09/08	16	Signature
3998M	OP149858	05/12/08	05/27/08	11	Monarch
3028M	220-125108	03/09/06	07/12/06	81	Netco
4537M	426578	08/19/08	10/02/08	31	Direct
4456M	OP873904	12/15/08	01/23/09	27	Direct

The Company must acknowledge the receipt of a claim within 10 working days.

Reference: §375.1007(2), RSMo, and 20 CSR 100-1.030(1), and (2)

In the following five files, the Company failed to accept or deny the following claims within 15 working days after all information needed was received from the claimant.

Claim	File	Date all Info Received	Number of Days	Agency
4312M	KC427443	03/11/09	38	Netco
3028M*	220125108	03/09/06	207	Netco
2524M	OP187515	02/10/05	170	Metro
7488444	10034/3852020	05/27/08	44	Fst.Am. Equity Loan
4456M*	OP873904	01/07/09	98	Direct

The Company must accept or deny the claim within 15 working days of the submission of all forms necessary to establish the nature and extent of the claim.

Reference: §375.1007(4), RSMo, and 20 CSR 100-1.050(1)(A)

In the following nine files, the Company failed to complete its investigation within 30 days of receiving the claim.

Claim	Policy	Date Claim Received	Number of Days	Agent
MO-0990200615	320-716217	06/14/09	37	Finiti
4501M	LP-515132	01/12/09	132	Pickell
MO-990200686	OP0200686	07/02/09	82	Direct
4537M*	426578	08/19/08	52	Direct
2524M*	OP187515	01/07/05	1,745	Metro
3028M*	220-125108	07/11/06	301**	Netco
7488444	10034/385202	03/24/08	703**	Fst. Am Equity Loan Services
508-0263 MO	100034/38847435	09/18/08	525**	Fst. Am Equity Loan Services
4456M*	OP873904	12/05/08	457**	Fst. Am

**Number of working days measured to date of criticism.

The insurer must complete an investigation of a claim within 30 days after notification of the claim unless the investigation cannot reasonably be completed within this time.

Reference: §375.1007(3), RSMo, and 20 CSR 100-1.040 (as amended, 20 CSR 100-1.050(4), eff. 7/30/08)

In the following nine files the examiners found that the Company failed to inform the insured every 45 days after initial notification by not sending the claimant a letter setting forth the reasons additional time was needed for investigation.

Claim	File	Date Claim Rec'd	Agency
MO-990200615	320-716217	6/14/09	Finiti
4241M	LP579194	10/1/08	Tri-lakes
4283M	320-403546	1/27/08	Netco
3028M*	220-125108	7/11/06	Netco
2524M*	OP187515	1/7/05	Metro
4507M	OP1046223	2/19/09	Direct
3320M	LP20421129	2/28/07	Direct
3498M	OP637284	6/29/07	Direct
4456M*	OP873904	12/05/08	Direct

If the investigation remains incomplete, the insurer, within 45 days from the date of the initial notification and every 45 days thereafter, must send the claimant a letter setting forth the reasons additional time is needed for investigation.

Reference: §375.1007(3) and (4), RSMo, and CSR 100-1.050(1)(C)

NOTE: A star (*) after a policy number denotes that the policy was cited earlier in the open claim study for a different error, but was only counted once in the number of errors herein.

B. Unfair Settlement and General Handling Practices

In addition to the Claim Time Studies, examiners reviewed the Company's claim handling processes to determine compliance with contract provisions and adherence to unfair claims statutes and regulations. Whenever a claim file reflected that the Company failed to meet these standards, the examiners cited the Company for noncompliance.

1. Paid Claims

Field Size:	676 total 170 files paid pre 8/28/2007 506 files paid post 8/28/2007
Sample Size:	50 total 16 files paid pre 8/28/2007 34 files paid post 8/28/2007
Type of Sample:	Random
Number of Errors:	1 total 1 paid pre 8/28/2007 0 paid post 8/28/2007
Error Ratio	2% total 2.65% of files paid pre 8/28/2007
Within Dept. Guidelines:	Yes total Yes files paid pre 8/28/2007

The examiners noted the following exceptions during their review:

In the following file, the Company failed to set aside a reserve for the loss upon receiving notice of the claim on January 25, 2007.

Claim	Policy	Agency
L07-0111	CW579802	Continental

A title insurer shall maintain a known claim reserve in an amount estimated to be sufficient to cover all unpaid losses, claims, and allocated loss adjustment expenses for which the title insurer may be liable and for which the insurer has discovered or received notice by or on behalf of the insured. Upon receiving notice of a claim that may result in a loss or cause expense to be incurred, the insurer shall determine the amount to be added to the reserve, which amount shall reflect a careful estimate of the loss or loss expense.

Reference: §381.101.2, RSMo (1994)

2. Claims Closed Without Payment

Field Size:	482 total 111files paid pre 8/28/2007 371files paid post 8/28/2007
Sample Size:	50 10 files paid pre 8/28/2007 40 files paid post 8/28/2007
Type of Sample:	Random
Number of Errors:	1 total 0 files paid pre 8/28/2007 1 files paid post 8/28/2007
Error Ratio:	2% total 0% of files paid pre 8/28/2007 2.5% of files paid post 8/28/2007
Within Dept. Guidelines:	Yes total Yes files paid pre 8/28/2007 Yes files paid post 8/28/2007

The examiners noted the following exception during their review:

The policy of title insurance issued in this file includes coverage for loss or damage arising by reason of the invalidity or unenforceability of the lien of the insured mortgage upon the title. At no time did the Company take or propose to take any steps, or engage the services of any other party, for the purpose of establishing the mortgage as a valid and enforceable lien on the title. The Company closed the claim on 3/30/2009.

Claim	Policy	Agency
3165M	39723	Sequoyah

By failing to specifically suggest that the insured might consider basing its claim on the invalidity or unenforceability of the lien of the insured mortgage upon the title, the Company failed to fully disclose to a first-party claimant all pertinent benefits, coverages or other provisions of an insurance policy under which a claim was presented.

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

3. Open Claims

Field Size:	328
Sample Size:	50
Type of Sample:	Random
Number of Errors	7
Error Ratio	14%
Within Dept. Guidelines	No

Of the seven files that contained errors, three files were transaction occurring prior to 8/28/2007, and four files were transactions occurring after 8/28/2007.

In the following six files, the Company failed to set aside a reserve for the loss upon receiving notice of the claim.

Claim	Policy	Date Received Notice of Claim	Agency
4501M	LP515132	2/12/09	Pickell
MO-990200686	OP0200686	7/2/09	First Am
4124M	OP00380977	5/18/09	First Am
4507M	OP1046223	8/11/09	First Am
4283M	KC445709	6/17/08	Netco
3498M	OP637284	6/26/07	First Am

A title insurer shall maintain a known claim reserve in an amount estimated to be sufficient to cover all unpaid losses, claims, and allocated loss adjustment expenses for which the title insurer may be liable and for which the insurer has discovered or received notice by or on behalf of the insured. Upon receiving notice of a claim that may result in a loss or cause expense to be incurred, the insurer shall determine the amount to be added to the reserve, which amount shall reflect a careful estimate of the loss or loss expense.

Reference: §381.101.2, RSMo (1994), as replaced by §381.072.1(1)(a) and (b), RSMo (Supp. 2010)

The Company denied the following claim on January 8, 2007, without referencing the policy provisions.

Claim	Policy	Agent
3240M	LP234379	Security

The Company must advise the claimant of the denial of its claim with reference to provisions, conditions or exclusions of the policy included in the denial.

Reference: §375.1007(4) and (12), RSMo, and 20 CSR 100-1.050(1)(A)

C. Other Issues Identified in the Claims Review

The examiners also found errors in the review of the claims that were not related to the claim itself but were errors in the underlying file. In many cases these underwriting errors led to the claim.

1. The Company terminated the agency agreement with Anchor Title on October 22, 2006. On or about January 18, 2008, the Company took control of approximately 50 boxes of files. The Company's central processing unit was instructed to sort through all of the files to determine which transactions had commitments issued but for which no policies were not issued to the insureds. Eighty-five policies were not delivered to the insured.

a. The Company determined that 280 owners' policies had been issued but with the owner policy schedules placed inside lender's polic y jackets. The Company did not correctly issue any of the 280 owners policies identified as of 1/16/2010. The Company indicated that it would correctly issue all 280 policies by 3/1/2010. No evidence has been provided to verify that the policies were corrected and delivered to the Insureds. Providing the wrong policy jacket to the insured resulted in a misrepresentation to the consumer regarding the benefits, advantages, conditions and terms of the policy.

Reference: §375.936(6)(a), RSMo

b. The Company states in their May 6, 2011 letter, "In fact First American issued the remaining Anchor Title Policies by January 28, 2010, as shown on the enclosed spreadsheet." Counsel's letter dated June 24, 2011, indicates that "Furthermore, in the interest of candor, I should advise you that we no longer believe that the policies were distributed to the insured's in January 2010. First American assembled and prepared the policies on the dates indicated on the spreadsheet, but the policies were not mailed to the insureds at those times. However, the policies were issued in the sense that complete policies together with all of the appropriate schedules were extant in First American's records and available to responding to any claims." As such, the Company's May 6, 2011 letter and the attached spreadsheet is a false statement to the director.

Reference: §§374.210.1(1) and 375.936(5)(b), RSMo

c. When the Company or its agent failed to timely provide the policy to the insured, they also failed to inform these same individuals of the terms and conditions related to the coverages at issue. The Company failed to provide important claim information so that if an insured needed to file a claim they could review the insurance policy and make the claim in the prescribed manner. Although the commitments were issued by Anchor title, the actual commitment was not maintained in each file. Based upon a meeting with First American, the Company represented that a "plain language" commitment was used if it was noted in the schedules. If nothing was noted in the schedules, a standard language commitment was used. The two commitment forms that were in use in 2004, 2005 and early 2006 were Form M10095-1, the "standard" commitment, and Form M10109, the "plain language" commitment. These forms were used to describe what the title insurer committed to do when issuing a policy. Both forms describe the coverage provided by policy form 10/17/92. These title commitment forms contain significant differences, despite the fact they are derived from the same policy form. Form M10109 (11/99) states, "If the Requirements shown in this Commitment have not been met within six months after the Commitment Date our obligation will end. Also, our obligation under this Commitment will end when the Policy is issued and then our obligation to you will be under the Policy." In the event that a policy is not issued in six months it appears that the insured still has coverage under the "plain language" commitment (M10109 (11/99). Form M10095-1 states, "This Commitment is preliminary to the issuance of such a policy or policies of title insurance and all liability and obligations hereunder shall cease and terminate six months after the effective date hereof or when the policies or policies committed for shall issue, whichever first occurs, provided that the failure to issue such policy or policies is not the fault of the Company." Under the "standard" commitment, if a policy is not issued within six months, it appears that coverage terminates under the commitment unless it is deemed to be the fault of the Company.

i. The following 35 consumers that were issued the "plain language" title commitment M10109 (11/99) but not issued a policy until on or after 6/28/2011, were subjected to material omissions, in that, for five or more years they were not provided with a policy indicating all the terms and conditions relating to coverages at issue. This is a misrepresentation by omission.

In addition, the Company failed to issue the policy as stated in either of their commitment forms. The commitment indicates that "We agree to issue a policy to you according to the terms of this Commitment." The consumer met the terms of the commitment, but the Company failed to provide the consumer with the copy of the policy until the Department brought this matter to its attention more than five years later. The Company has a duty to provide the policy to the insured. The Company indicated to the Department that the policies were to be mailed to the insured in January 2010. It is the Company's standard and customary practice to require its agents to provide policies to the insured individuals in a timely fashion. However, an individual at the Company determined that these policies should be kept in the Company files rather than mailed to the insured. Only after discussions with the Department were polices

actually mailed to the insureds. Twenty one policies were not deliverable. Those individuals are still uninformed about the exact coverage contained in their policy. The Company suppressed a material fact in connection with the offer, sale, solicitation, or negotiation of the insurance policies listed below.

Reference: §§375.144, and 375. 936(6)(a), RSMo

FileNbr	StartTS	CmpltTS	OpenDt	Policy Delivery Date to Consumer	HUD Closing/disbursing Date	Commitment Date
AT-Barber2*	01/18/10	01/19/10	01/14/10	06/28/11	12/13/2004	10/4/2004
AT-BEACH	01/21/10	01/21/10	01/19/10	06/28/11	7/22/2004	3/25/2004
AT-BEACHAM*	01/21/10	01/21/10	01/19/10	06/29/11	3/16/2005	1/11/2005
AT-Berg*	01/18/10	01/19/10	01/14/10	06/28/11	12/1/2004	9/15/2004
AT-Berg131*	01/18/10	01/19/10	01/14/10	06/28/11	11/15/2004	8/27/2004
AT-Berg203	01/20/10	01/20/10	01/14/10	06/28/11	11/5/2004	9/7/2004
AT-Berg405*	01/18/10	01/18/10	01/14/10	06/28/11	11/14/2004	9/7/2004
AT-Berg509*	01/18/10	01/19/10	01/14/10	06/28/11	10/29/2004	10/15/2004
AT-Bollin3	01/15/10	01/15/10	01/13/10	06/27/11 & 06/28/11	9/22/2004	7/15/2004
AT-Bollin4*	01/15/10	01/15/10	01/13/10	06/28/11	8/13/2004	7/13/2004
AT-Bolling	01/15/10	01/15/10	01/13/10	06/27/11	9/22/2004	7/13/2004
AT-Coffin7	01/20/10	01/20/10	01/15/10	06/28/11	5/28/2004	5/19/2004
AT-Crow*	01/13/10	01/14/10	01/12/10	06/28/11	7/23/2004	6/3/2004
AT-Crow-A*	01/13/10	01/14/10	01/12/10	06/28/11	7/23/2004	6/23/2004
AT-Dauve	01/22/10	01/22/10	01/20/10	06/28/11	1/14/2005	12/15/2004
AT-Dauve49	01/22/10	01/28/10	01/20/10	06/28/11	12/21/2004	11/14/2004
AT-Egg	01/13/10	01/14/10	01/12/10	06/28/11	10/22/2004	8/19/2004
AT-Hendrix	01/26/10	01/28/10	01/20/10	06/28/11	9/8/2004	8/19/2004
AT-Kabari	01/21/10	01/22/10	01/15/10	06/28/11	7/1/2004	6/9/2004
AT-Larch	01/20/10	01/20/10	01/15/10	06/28/11	1/14/2005	12/28/2004
AT-MacDowe	01/20/10	01/20/10	01/15/10	06/28/11	10/28/2004	9/24/2004
AT-McDonal*	01/13/10	01/14/10	01/12/10	06/28/11	11/19/2004	8/27/2004
AT-Meister	01/22/10	01/22/10	01/19/10	06/28/11	7/15/2005	6/22/2005
AT-Park*	01/15/10	01/15/10	01/13/10	06/28/11	10/29/2004	10/15/2004
AT-Park13*	01/15/10	01/15/10	01/13/10	06/28/11	11/18/2004	10/22/2004
AT-Park132*	01/15/10	01/15/10	01/13/10	06/28/11	11/28/2004	10/22/2004
AT-Park804*	01/18/10	01/19/10	01/14/10	06/28/11	12/4/2004	10/5/2004
AT-Spiess	01/27/10	01/28/10	01/22/10	06/28/11	8/30/2004	7/19/2004
AT-Stansbu	01/27/10	01/28/10	01/22/10	06/28/11	5/10/2004	2/23/2004
AT-Tierney	01/20/10	01/20/10	01/15/10	06/28/11	4/29/2004	3/10/2004
AT-TROG	01/18/10	01/20/10	01/11/10	06/28/11	7/23/2004	6/17/2004

Bagnet	06/30/11	06/30/11	Not provided	06/30/11	Not provided	12/7/2004
Barber	06/30/11	06/30/11	Not provided	06/30/11	Not provided	8/12/2004
Barber	06/30/11	06/30/11	Not provided	07/01/11	Not provided	4/20/2004
Beanblossom	06/30/11	06/30/11	Not provided	07/01/11	Not provided	3/23/2004

* These 14 policies are part of the 21 policies were returned to the Company and were not delivered to the insured.

ii. The following 50 consumers that were issued title the "standard" commitment M10095-1 but not issued a policy until on or after 6/28/2011, these consumers were subjected to material omissions, in that, for five or more years they were not provided with a policy indicating all the terms and conditions relating to coverages at issue. This is a misrepresentation by omission.

In addition, the Company failed to issue the policy as stated in their commitment. The commitment indicates that "First American Title Insurance Company, a California corporation, herein called the company, for valuable consideration, hereby commits to issue its policy or policies of title insurance, as identified in Schedule A, in favor of the proposed Insured named in Schedule A, as the owner or mortgagee of the estate or interest covered hereby in the land described or referred to in Schedule A, upon payment of the premiums and charges therefore; all subject to the provisions of Schedules A and B and the Conditions and Stipulations hereof."

The consumer met the terms of the commitment, but the Company failed to provide the consumer with the copy of the policy until the Department brought this matter to their attention more than five years later. The Company has a duty to provide the policy to the insured. The Company indicated to the Department that the policies were to be mailed to the insured in January 2010. It is the Company's standard and customary practice to require its agents to provide policies to the insured individuals in a timely fashion. However, an individual at the Company determined that these policies should be kept in the Company files rather than being mailed to the insured. Only after discussions with the Department were polices mailed to the insureds. Twenty one policies were not deliverable. Those individuals are still uninformed about the exact coverage contained in their policy. The Company suppressed a material fact in connection with the offer, sale, solicitation ornegotiation of the insurance policies listed below.

Reference: §§375.144, and 375. 936(6)(a), RSMo

FileNbr	StartTS	CmpltTS	OpenDt	Policy Delivery Date to Consumer	HUD Closing/disbursing Date	Commitment Date
AT-Barber*	01/15/10	01/15/10	01/13/10	06/28/11	7/30/2004	6/24/2004
AT-Bowman*	01/22/10	01/22/10	01/19/10	06/28/11	2/15/2006	1/27/2004
AT-BURKE	01/18/10	01/20/10	01/11/10	06/27/11	2/1/2006	11/8/2005
AT-Clark	01/22/10	01/22/10	01/19/10	06/28/11	3/28/2006	12/14/2005
AT-Clark14*	01/21/10	01/22/10	01/19/10	06/28/11	1/30/2006	12/29/2005
AT-Coffin	01/13/10	01/13/10	01/11/10	06/28/11	1/21/2004	12/9/2003
AT-Coffin8	01/13/10	01/13/10	01/11/10	06/30/11	3/31/2006	2/1/2006
AT-Croker	01/18/10	01/19/10	01/14/10	06/27/11	8/15/2006	7/3/2006
AT-Daniel1*	01/18/10	01/19/10	01/14/10	06/28/11	9/29/2005	6/13/2005
AT-Daniels	01/18/10	01/19/10	01/14/10	06/28/11	5/9/2005	4/18/2005
AT-Davidte	01/22/10	01/22/10	01/20/10	06/28/11	2/24/2006	12/14/2005
AT-Dawson	01/21/10	01/21/10	01/11/10	06/28/11	2/10/2006	1/3/2006
AT-Deffenb	01/26/10	01/28/10	01/20/10	06/28/11	5/2/2005	3/28/2005
AT-DeFrost	01/26/10	01/28/10	01/20/10	06/28/11	7/28/2005	6/9/2005
AT-DOBYNS	01/25/10	01/26/10	01/21/10	06/28/11	5/17/2005	5/9/2005
AT-DONG	01/27/10	01/27/10	01/22/10	06/28/11	6/14/2005	5/5/2005
AT-Eye	01/13/10	01/14/10	01/11/10	06/28/11	6/21/2005	6/10/2005
AT-GREEN	01/18/10	01/20/10	01/11/10	06/28/11	7/2X/2005	7/12/2005
AT-Grin	01/26/10	01/28/10	01/20/10	06/28/11	1/27/2006	1/20/2006
AT-Grunik	01/26/10	01/28/10	01/20/10	06/28/11	1/17/2006	1/1/2006
AT-Heltsle*	01/22/10	01/28/10	01/20/10	06/28/11	3/24/2006	2/16/2006
AT-Hill	01/26/10	01/28/10	01/20/10	06/28/11	6/29/2005	5/27/2005
AT-Kouba	01/13/10	01/14/10	01/12/10	06/28/11	10/21/2005	8/5/2005
AT-KREDER	01/25/10	01/26/10	01/21/10	06/28/11	5/17/2006	5/9/2005
AT-Lawson*	01/13/10	01/14/10	01/11/10	06/28/11	9/19/2005	8/10/2005
AT-Le11919	01/20/10	01/20/10	01/15/10	06/28/11	9/7/2005	7/25/2005
AT-Lindhur	01/21/10	01/22/10	01/19/10	06/28/11	1/12/2006	11/8/2005
AT-Louis	01/13/10	01/14/10	01/12/10	06/28/11	9/27/2005	8/18/2005
AT-Louis-A	01/13/10	01/14/10	01/12/10	06/28/11	9/27/2005	8/18/2005
AT-Mcaulif	01/20/10	01/22/10	01/11/10	06/28/11	6/8/2005	5/20/2025
AT-Pruitt	01/18/10	01/19/10	01/14/10	06/28/11	4/13/2006	2/16/2006
AT-RICHARD	01/18/10	01/20/10	01/11/10	06/28/11	12/23/2006	11/30/2005
AT-Schmitz	01/14/10	01/14/10	01/12/10	06/28/11	10/20/2006	10/4/2006
AT-Stanisl	01/27/10	01/28/10	01/22/10	06/28/11	5/9/2005	4/1/2005
AT-STARBUC	01/21/10	01/21/10	01/19/10	06/28/11	5/24/2004	2004
AT-STARNES	01/21/10	01/21/10	01/19/10	06/28/11	8/26/2005	8/26/2005
AT-Walz*	01/22/10	01/22/10	01/19/10	06/28/11	12/7/2005	11/3/2005
AT-Wilder	01/22/10	01/22/10	01/19/10	06/28/11	2/16/2008	1/6/2006

Bahr	06/30/11	06/30/11	Not provided	06/30/11	Not provided	3/24/2005
Bailey	06/30/11	06/30/11	Not provided	06/30/11	Not provided	4/26/2005
Barbero	06/30/11	06/30/11	Not provided	06/30/11	Not provided	4/4/2005
Benton	06/30/11	06/30/11	Not provided	07/01/11	Not provided	3/13/2006
Bentrup	06/30/11	06/30/11	Not provided	07/01/11	Not provided	5/25/2004
Bequette	06/30/11	06/30/11	Not provided	07/01/11	Not provided	5/13/2005
Bernstein	06/30/11	06/30/11	Not provided	07/01/11	Not provided	11/15/2005
Bezdek	06/30/11	06/30/11	Not provided	07/01/11	Not provided	9/15/2005
Farmer	06/30/11	06/30/11	Not provided	07/01/11	Not provided	12/14/2005
farmer2	06/30/11	06/30/11	Not provided	07/01/11	Not provided	6/23/2009
Simon	05/19/08	05/19/08	Not provided	05/19/08	Not provided	11/23/2005
Wilmoth	07/11/11	07/11/11	Not provided	07/11/11	Not provided	10/6/2005

* These seven policies are part of the 21 policies were returned to the Company and were not delivered to the insured.

2. Express Financial Services closed this refinance transaction in November 2006 and collected funds in the amount of $2,172.66 to pay taxes for the year 2006. The actual 2006 tax amount was $1,893.49. The agent held $279.17 more in escrow than required to pay the taxes. The agent did not pay the taxes. The lender learned of the unpaid taxes in 2008 and paid them on 7/23/2008. The insured lender also paid tax penalties and interest of $612.63. The charges for penalties and interest arose by reason of the agent's failure to pay the taxes as agreed.

The lender filed a claim for reimbursement of its loss of $2,506.12 on 9/25/2008. The notice of claim was received by First American on the same date.

First American settled the claim by payment of $2,506.12 sent to the insured lender under cover dated 10/29/2008.

First American recovered the sum of $2,172.66 from the agent's escrow account by check dated 10/29/2008. First American properly retained $1,893.49, the amount of the 2006 general taxes for which funds had been held in escrow, but was not entitled to retain the escrow overage of $279.17 for its own use in settling this claim. The mortgage borrower had entrusted $2,172.66 with the title agent for the purpose of paying the 2006 general taxes. The actual 2006 general tax amount was $1,893.49. The agent had $279.17 more than needed to pay the taxes. The mortgage borrower is entitled to a full refund of the excess funds in the amount of $279.17.

Claim	Policy	Agent
4232M	LP572343	Express Financial

A title insurer, title agency, or title agent may operate as an escrow, security, settlement, or closing agent in Missouri with certain provisos, including that funds in escrow remain

the property of the person entitled to them, that such funds will be used only in accordance with written instructions, and that such funds may not be used to satisfy the debts of an agent or any other person.

Reference: §381.022.2, and .3, RSMo

3. The insured lender was foreclosing the lien of its mortgage and learned that a prior deed of trust recorded in 2005 remained unreleased. The insured lender filed a claim with First American on 1/10/2007.

In its letter of 3/6/2007 denying the claim, First American advised the lender that the deed of trust had been omitted from the commitment and policy "based upon presentation of the Sxxxxs' credit report to the closing agent, which showed the account as 'closed.'"

The examiner addressed request number eight to the Company on 1/6/2010, asking for a copy of the formal Company's underwriting standards permitting omission of a recorded mortgage based on the information appearing in credit reports when issuing a policy of title insurance. The Company responded to the request on 1/12/2010, advising that "the Company accepted the risk of an unsatisfied prior mortgage based upon a credit report and its own independent verification that the indebtedness was satisfied."

The mortgage was removed because the credit report showed the loan "closed." As indicated, the Company advised in its denial of claim on 3/6/2007 that the 2005 mortgage had been omitted as an exception to title based on information in a credit report. The earliest separate indication in this file of any other research to determine whether the mortgage was unpaid is a "Memo of Conversation" dated 3/6/2007 indicating a conversation with a person named Michelle at Accredited Home Loans and noting "loan was paid off in 8/2005." That note was dated on the day of the denial of the claim.

In preparing to issue a title insurance policy in Missouri, the title insurer and its agent are ordinarily required to cause a search of title to be made from the evidence prepared from a title plant covering the county in which the land is located. A title plant is defined as "an index of the records of a county which imparts constructive notice to purchasers of real property, which encompasses the most recent forty-five years." The examiner knows no basis for any belief that a credit report provides constructive notice to purchasers of real property in Missouri.

It is not sound underwriting to omit a mortgage based upon information contained in a credit report. It is not sound underwriting to omit a mortgage based upon verbal information obtained by telephone.

Verbal information and information gleaned from a credit report are among several factors that can be reviewed to confirm there is no contradictory information when verifying documents, especially when a full deed of release is not available. There is no

indication in this file that a full deed of release was not available or that any such underwriting analysis was performed on or before 4/7/2006, the date of the policy.

The Company's policy of title insurance of 4/7/2006 accepted the risk that an unreleased mortgage with a face amount of $206,000.00 had been satisfied, based on the information available in a credit report.

Claim	Policy	Agent
L07-0052	220-239107	TransContinental

The Company and its agent are required to insure in accordance with sound underwriting policies but failed to do so when accepting the risk in this instance.

Reference: §381.071, RSMo (1994)

4. The following claim arose because the deed of trust recorded by the agent did not include a legal description of the land, thus failing to create a lien on the title. The insured included with its claim a copy of its policy of title insurance, a copy of its deed of trust, a copy of a chain of title, and a copy of a more current report of title. Counsel for the insured had commenced an action to reform and foreclose the deed of trust.

First American was not able to identify the agency that issued the policy of title insurance and requested that particular information from counsel for the insured on 11/2/2006. The information was supplied on 11/8/2006. The Company then wrote to the agency on 11/10/2006 to request a copy of the title and escrow files. The agent did not immediately supply a copy of the Company's file. The Company obtained a copy of its file by 12/13/2006.

The file indicated that the lender ordered a title report from the agency on 8/8/2003. The agency did not search or examine the title, and did not issue a commitment to insure the title prior to closing the transaction in escrow. The agency closed the transaction in escrow on 9/29/2003 and disbursed funds from the transaction on 10/3/2003. The lender's instructions to the escrow agency conditioned release of escrow on provision of a commitment to insure in the amount of the loan.

The agency's acts in accepting the order for title insurance, closing the transaction in escrow (and in view of the lender's instructions), and disbursing the funds from escrow represented an agreement to insure. The agency ordered a search of title from a third party source on 10/15/2003, 12 days after disbursing funds from the transaction.

The agency received the report of title on 10/16/2003, but did not issue a commitment to insure. The agency recorded the deed of trust on 10/20/2003. However, the deed of trust did not include a legal description.

The agency issued a policy of title insurance dated 10/20/2003. The policy recites title vested in borrowers, "John Gxxxxxx and husband and wife Judy Gxxxxxx" and describes two parcels of land. John Gxxxxxx held no record interest in either parcel of land. The first described parcel of land vested on the record in Judy Gxxxxxx at the date of the policy. There is no information in the file indicating an off record vested interest in John Gxxxxxx. Judy Gxxxxxx later acquired title to the second parcel of land. The file does not indicate she had any interest in the second parcel at the time of the loan transaction.

This file contains no indication that the agency ever performed an examination of title. The deed of trust created no lien in favor of the lender at the time of its recording. Agreeing to issue a policy of title insurance without first performing a search and examination of title is not a sound underwriting practice.

Claim	Policy	Agent
3165M	39723	Sequoyah

No title insurance policy shall be written until the title insurer, title agent, or agency has made both a search of title and a determination of insurability of title in accordance with sound underwriting practices.

The title insurer, agency, or agent did not cause a search of title to be performed prior to agreeing to insure and did not make a determination of insurability in accordance with sound underwriting practices.

Reference: §381.071, RSMo (1994)

5. The lender complained that its loan policy was not yet issued. At the time the issue was raised, the lender had no clear lien as a matter of record. The Company engaged counsel on 3/2/2009 and took curative steps to deliver the title intended to be insured.

The title insurance transaction was processed through First American Lenders Advantage, a division of First American Title Insurance Company. First American Lenders Advantage prepared a "Legal Vesting Report," conducted the mortgage closing, and recorded the deed of trust. According to the Company's notes in the file, First American Lenders Advantage handled the transaction as part of an "EP Platinum" program and "only the vesting and legal were done."

A report of title that includes information encompassing only title vesting and legal description does not constitute an examination of title prepared in accordance with sound underwriting practices.

Claim	Policy	Agent
L08-0620	Not issued	First Am Lenders Adv.

The Company and its agent are required to insure in accordance with sound underwriting practices but failed to do so when accepting the risk in this instance.

Reference: §381.071, RSMo (1994)

6. The insured mortgage was dated 4/10/2006, the loan was disbursed by the lender on 4/14/2006, the Company agreed to insure no later than 4/25/2006, and the mortgage was recorded 5/25/2006. The decision to accept the risk evidenced by this policy was made based on the information found in a credit report and an affidavit of the borrower.

The Company agreed to and did issue its policy of title insurance without first causing a search of title to be made from the evidence prepared from a title plant of the county where the property is located.

Claim	Policy	Agent
L08-0733	4010375	First Am Lenders Adv.

The Company issued its policy of title insurance without first causing to be made a determination of insurability of title in accordance with sound underwriting practices.

Reference: §381.071.1.1 & 1.2, RSMo (1994)

7. The insured lender, Universal Mortgage Corporation, requested First American return funds that were wired for the closing on the subject property. Insured lender claims that First American violated the closing instructions by allowing the closing to be conducted by an employee of First Mortgage & Associates. Claimant states that it did not authorize anyone but a First American employee to conduct the closing.

The 02/08/2007 demand letter from Universal Mortgage Corporation to First American (Joan M. Thomas, Ass't. Secretary) stated that, "...Our demand is based on the fact that First American failed to follow the closing instructions provided by Universal Mortgage Corporation. In particular you allowed the closing to be conducted by an employee of First U.S. Mortgage & Associates. At no time did Universal Mortgage Corporation authorize anyone other than employees of First American Title to conduct the closing."

It is unlawful for a title insurer, title agency or title agent to accept an order for title services from any producer with an affiliated business arrangement, unless contemporaneous with the referral, the title insurer, title agency or title agent discloses the affiliated business arrangement. Disclosure to its customer of the existence of the affiliated business arrangement may be made by using the Affiliated Business Disclosure form (form T-4), or any form that substantially comports with the specified form.

First American's closing protection letter, dated 12/15/2006 to Universal Mortgage Corp., addresses losses incurred by Universal Mortgage Corp. in regards to closing when conducted by the Agent or /Branch Office who is authorized to issue title insurance for the Company. First U.S. Mortgage & Associates was not authorized to conduct referenced closing. In fact, First U.S. Mortgage & Associates is listed on HUD-1 Settlement Statement as a "Broker."

The Company has not complied with minimum standards of required closing regulations by failing to disclose to the customer the existence of the affiliated business arrangement or taken reasonable steps to verify that the producer has disclosed the arrangement. In addition, the closing did not comply with written instructions by the authorized lender.

The Company must advise insureds of all affiliated business disclosures in writing as well as comply with authorized written instructions.

Claim	Policy	Agent
3320M	LP20421129	First Am

The insurer failed to inform the insured of all affiliated business disclosures.

Reference: §381.141, RSMo (1994) and 20 CSR 500-7.070 (1)(A)

8. First American Equity Loan Services issued a FACT Online Title Report for the benefit of US Bank offering to insure a mortgage. First American Equity Loan Services delivered its offer to insure without preparing an examination of title.

The lender made a loan to the borrower in the amount of $23,561.95 and obtained a promissory note and deed of trust from the borrower dated 6/21/2005. The lender sent its deed of trust to First American Equity Loan Services for recording. First American Equity Loan Services added a land description to the deed of trust and recorded the mortgage in Texas County, Missouri. The county in which the deed of trust was recorded is not the same as the county referenced in the FACT Online Title Report. There is no indication that First American Equity Loan Services identified any property to which the borrower held title prior to recording the deed of trust. First American Equity Loan Services issued a Transaction Certificate identifying the loan as an Insured Mortgage under FACT Master Policy No. 100034.

Claim	Policy	Agent
7488444	100034/38352020	First Am. Equity

The Company agreed to issue and did issue its policy of title insurance without first causing a search of title to be made from the evidence prepared from a title plant of the county where the property is located.

The Company issued its policy of title insurance without first causing to be made a determination of insurability of title in accordance with sound underwriting practices.

Reference: §381.071.1.1 &1.2, RSMo (1994)

9. The borrowers intended to encumber property located on Whitney Court in Boone County, Missouri, as indicated by both an undated "Borrower Agreement" copied to the file and by the U. S. Bank Equiline Agreement dated 12/28/2004 executed by the borrowers and copied to the file.

First American Equity Loan Services issued at "FACT Online Title Report" for benefit of the lender under the date of 11/22/2004 offering to insure a lien in favor of the lender as encumbering property on Whitney Court identified only by the address. The lender made its loan to the borrower and sent the deed of trust to First American Equity Loan Services for recording. First American added a specific land description to the deed of trust and recorded the mortgage. The borrower owned only a portion of the specific land description added by First American. The portion of the described land owned by the borrower had no frontage on Whitney Court.

First American Equity Loan Services issued a Transaction Certificate identifying the loan as an Insured Mortgage under FACT Master Policy No. 100034.

The Company agreed to issue and did issue its policy of title insurance without first causing a search of title to be made from the evidence prepared from a title plant of the county where the property is located.

The Company issued its policy of title insurance without first causing to be made a determination of insurability of title in accordance with sound underwriting practices.

Reference: §381.071.1.1, and .1.2, RSMo (1994)

10. The following concerns were found regarding Sequoyah County Abstract & Title, an agency representing First American Title in Oklahoma under an agency contract terminated in January 2009. The Company states that Sequoyah never had an agency contract permitting Sequoyah to write First American title insurance policies in Missouri. Nevertheless, Sequoyah wrote title insurance policies on behalf of First American Title beginning no later than 2/18/2003 and continuing until sometime in 2008. This is evidenced by 12 claims handled by the Company's office processing Missouri claims.

First American claims that Sequoyah was formally reminded in 2006 that Sequoyah was not authorized under the terms of its agency contract to write title insurance for Missouri properties. Still, the claims data supplied by the Company indicates that the agent continued to write policies on Missouri property until at least some time in 2008.

a. First American claims that it is not able to provide a list of the policies written by Sequoyah on Missouri properties and that First American cannot determine the amount of premium paid or to be paid for policies issued by Sequoyah on Missouri properties.

The Company is required to file with the Director a statement of premiums collected on policies issued for Missouri property.

Reference: §§148.340, and 148.350.1, RSMo

b. The Company was unable to provide information regarding Missouri policies issued by the agency, except in those instances in which claims have been filed. The insurer is required to maintain its Missouri policy records in a manner permitting those records to be readily available to Missouri market conduct examiners.

Reference: §374.205.2(2), RSMo, and 20 CSR 100 – 8.040(3)(A)

c. The Company terminated its agency relationship with Sequoyah County Abstract & Title because the Company determined that the agency was not trustworthy, a cause which would have permitted the Director to suspend, revoke, refuse to issue or refuse to renew an insurance agent's license. The Company was required to report its termination of the agent's appointment to the Director.

Reference: §§375.022.5, and 375.141(8), RSMo

d. The Company reported it received two claims related to policies written by Sequoyah County Abstract & Title with dates in calendar year 2008. The Company advises it had no contractual agreement in effect during 2008 for title insurance commitments or policies issued by Sequoyah County Abstract and Title on Missouri property. Data supplied by the Company reports claim number MO-0909101678 received in connection with policy number 08-33230 dated 12/10/2008 and claim number MO-0909101464 received in connection with policy number 08-387 dated 10/29/2008.

The title insurer may not allow the issuance of its commitments or policies by an unaffiliated agent or agency unless a written contract between the parties is in force.

Reference: §381.018.1, RSMo

III. CRITICISMS AND FORMAL REQUESTS 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. Missouri law requires companies to respond to criticisms and formal requests within 10 calendar days. Please note that in the event an extension was requested by the Company and granted by the examiners, the response was deemed timely if it was received within the time frame granted by the examiners. If the response was not received within that time period, the response was not considered timely.

A. Criticism Time Study

Calendar Days	Number of Criticisms	Percentage
Received w/in time-limit, incl. any extensions	186	81%
Received outside time-limit, incl. any extensions	44	19%
No Response	0	0%
Total	230	100 %

Note: One subpoena was issued. That item is reflected in the "Received outside time-limit" category above.

Reference: §374.205.2(2), RSMo, and 20 CSR 100-8.040

B. Formal Request Time Study

Calendar Days	Number of Requests	Percentage
Received w/in time-limit, incl. any extensions	39	91%
Received outside time-limit, incl. any extensions	4	9%
No Response	0	0 %
Total	43	100%

Reference: §374.205.2(2), RSMo, and 20 CSR 100-8.040

EXAMINATION REPORT SUBMISSION

Attached hereto is the Division of Insurance Market Regulation's Final Report of the examination of First American Title Insurance Company (NAIC #50814), Examination Number 0906-24-TGT. This examination was conducted by Martha Long, Joseph K. Ott, and Ted Greenhouse. The findings in the Final Report were extracted from the Market Conduct Examiner's Draft Report, dated August 16, 2010. Any changes from the text of the Market Conduct Examiner's Draft Report reflected in this Final Report were made by the Chief Market Conduct Examiner or with the Chief Market Conduct Examiner's approval. This Final Report has been reviewed and approved by the undersigned.

11/9/2012

Jim Mealer — Date

Chief Market Conduct Examiner