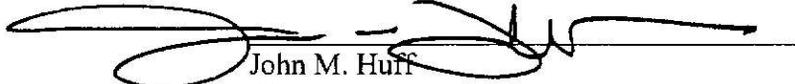
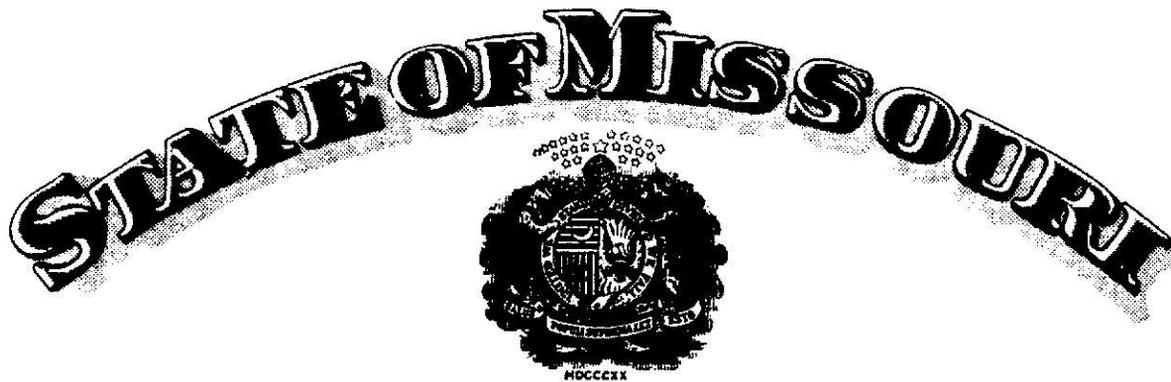


IT IS FURTHER ORDERED that the Company shall pay, and the Department of Insurance, Financial Institutions and Professional Registration, State of Missouri, shall accept, the Voluntary Forfeiture of \$52,000, payable to the Missouri State School Fund.

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 11th day of OCTOBER, 2011.


John M. Huff
Director



DEPARTMENT OF INSURANCE, FINANCIAL INSTITUTIONS AND PROFESSIONAL REGISTRATION

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

In re:)
) Examination No. 0811-21-TGT
United General Title Insurance Co. (NAIC #51624))

ORDER OF THE DIRECTOR

NOW, on this 11th day of OCTOBER, 2011, Director John M. Huff, after consideration and review of the market conduct examination report of United General Title Insurance Co. (NAIC #51624), (hereafter referred to as "the Company") report numbered 0811-21-TGT, prepared and submitted by the Division of Insurance Market Regulation pursuant to §374.205.3(3)(a), RSMo, and the Stipulation of Settlement ("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 (Cum. Supp. 2010), is in the public interest

IT IS THEREFORE ORDERED that, the Company and the Division of Insurance Market Regulation having agreed to the Stipulation, the Director does hereby approve and agree to the Stipulation.

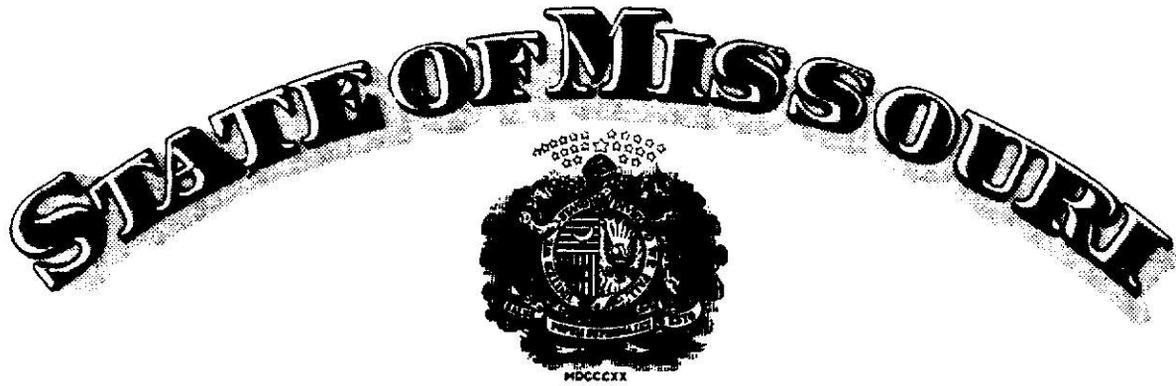
IT IS FURTHER ORDERED that the Company shall not engage in any of the violations of law and regulations set forth in the Stipulation and shall implement procedures to place the Company in full compliance with the requirements in the Stipulation and the statutes and regulations of the State of Missouri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

IT IS FURTHER ORDERED that the Company shall pay, and the Department of Insurance, Financial Institutions and Professional Registration, State of Missouri, shall accept, the Voluntary Forfeiture of \$52,000, payable to the Missouri State School Fund.

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 11TH day of OCTOBER, 2011.


John M. Huff
Director



**DEPARTMENT OF INSURANCE, FINANCIAL
INSTITUTIONS AND PROFESSIONAL REGISTRATION**

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

TO: United General Title Insurance Co.
7887 W. Belleview Ave., Ste. 900
Englewood, CO 80111

RE: Missouri Market Conduct Examination #0811-21-TGT
United General Title Insurance Co. (NAIC #51624)

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 United General Title Insurance Company, hereinafter referred to as "United General," 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, United General has been granted certificate(s) of authority to transact the business of insurance in the State of Missouri; and

WHEREAS, United General remains authorized to transact the business of title insurance in Missouri but ceased conducting such business at the end of 2008 and, with the approval of its primary regulator, the California Department of Insurance, transferred all of its assets and liabilities, including the continued payment of its claims, to First American Title Insurance Co.; and

WHEREAS, the Director conducted a Market Conduct Examination of United General and prepared report number 0811-21-TGT; and

WHEREAS, the report of the Market Conduct Examination, #0811-21-TGT, revealed the following findings:

1. In some instances, United General's agencies employed an individual as an agent who did not have a Missouri title agent license and processed applications for title insurance policies through the services of employees who were not licensed as title insurance agents, in that the licensed agent could not be identified, in violation of § 381.115, RSMo.

2. One of United General's agencies was operating a title agency without a license, thereby violating §381.115.1, RSMo.

3. In some instances, United General used or issued policy and commitment forms that included language that was not previously filed with the DIFP at least 30 days prior to use, in violation of §381.085, RSMo, and 20 CSR 500-7.130(1).

4. In some instances, United General failed to adequately document its underwriting and claim files and business records in a manner so that the Company's underwriting and rating and claim handling and processing practices could be readily ascertained during the exam, including maintaining information relating to the inception, handling and disposition of the claims as required by 20 CSR 100-8.040(2).

5. In some instances, United General's agencies took more than 45 days to issue policies in four of its files, in violation of §381.038.3, RSMo, and 20 CSR 500-7.090(2).

6. In some instances, United General's agencies used risk rates that were either incorrect or were not the actual risk rates previously filed with the Department by the Company, thereby violating §381.181, RSMo, and 20 CSR 500-7.100, DIFP Bulletin 93-09, and related form T-7 filed by the Company.

7. One of United Generals agencies issued a closing protection letter to the lender but failed to collect the fee associated with the letter. The applicable fee was not properly listed by the agency on the HUD-1, as required by §381.058.3(2) and (4), RSMo, and 20 CSR 500-7.050(2)(A)2.

8. In some instances, United General's agencies failed to timely record the security instrument(s) after the closing of the transaction and disbursement of funds, thereby violating §§381.026.1, RSMo (Supp. 2009) and 381.412.1, RSMo (2000).

9. In some instances, United General's agencies improperly charged and/or collected fees for the preparation of documents, in violation of §§ 484.010 and 484.020, RSMo, and *Eisel v. Midwest BankCentre*, 230 S.W.3d 335 (Mo. banc 2008) and *In re First Escrow, Inc.*, 840 S.W.2d 839 (Mo. banc 1992).

10. In some instances, United General's agencies closed transactions without a clear disclosure to the lender that there was no closing protection letter for funds received by the agency, in violation of §381.022.6, RSMo.

11. In some instances, United General's agencies failed to disclose or otherwise inform the borrower of an Affiliated Business Arrangement between the agency and Advanced Financial Services, Inc., and provide a written estimate of the charge or range of charges likely to be assessed for the agent's services, thereby violating §381.029, RSMo.

12. In some instances, United General's agencies failed to conduct an adequate title search and examination to adequately establish marketability of title, show all outstanding, enforceable recorded items, liens, judgments, and other interests and exceptions for a known risk to the title to be insured, thus failing to determine insurability in accordance with sound underwriting practices as required by §381.071.1, and .2, RSMo.

13. In some instances, United General's agencies prepared title searches without using a qualified title plant and failed to state their reasons for not doing so, as required by §§381.071.1(1) and 381.031.22, RSMo, 20 CSR 500-7.200(2) and (3), and DIFP Bulletin 08-06.

14. United General failed to preserve and retain in its files or in the files of its agent or agency evidence of title examinations and the determination of insurability for a period of not less than 15 years after the title insurance policy had been issued, in violation of §381.071.3, RSMo, and 20 CSR 100-8.040(3).

15. In some instances, United General provided coverage to a lender under the terms of a Master Policy without first conducting a search of the title to be insured, thereby failing to make a determination of insurability in accordance with sound underwriting practices, in violation of §381.071.2, RSMo

16. In some instances, United General failed to acknowledge the receipt of claims within 10 working days, as required by §375.1007(2), RSMo, and 20 CSR 100-1.030(1) and (2).

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

18. In some instances, United General failed to inform the insured that the claim had not been resolved after 45 days and every 45 days thereafter until the claims were resolved, as required by §375.1007(3) and (4), RSMo, and 20 CSR 100-1.050(1)(C).

19. In some instances, United General failed to complete its investigation of claim files within 30 days after the notification of the claims after receiving all of the documentation required to process the claims, as required by §375.1007(3), RSMo, and 20 CSR 100-1.050(4).

20. In some instances, United General offered to indemnify its insured and a future title insurer against a certain risk of loss but failed to take steps to cure the title or to otherwise resolve the issue, thereby misrepresenting to the claimants and insureds relevant facts or policy provisions relating to coverages at issue, in violation of §375.1007(1), RSMo.

21. United General failed to investigate a claim it received, in violation of §375.1007(3), RSMo.

22. In some instances, United General failed to adequately resolve a claim which arose by reason of an unsatisfied senior judgment, and when it did take action to resolve the claims, failed to take action to establish title in its insured or to otherwise settle the third party claim under the terms of the policy, thereby violating §375.1007(4), RSMo.

23. In some instances, United General failed to establish a known claim reserve for losses discovered by the insurer or for which it received notice, in violation of §381.072.1(1)(a) and (b), RSMo.

24. In some instances, United General agents charged a fee for settlement services for which no service was performed, in violation of RESPA, 24 CFR §3500.14(c).

25. United General failed to report a claim it believed to be fraudulent to the Department within 60 days of receiving notice, as required by §§375.991 and 375.992, RSMo.

26. In some instances, United General failed to timely respond to the examiners' requests for information and criticisms, thereby violating §374.205, RSMo, and 20 CSR 100-8.040.

WHEREAS, United General hereby agrees to take remedial action bringing United General 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. United General agrees to take corrective action to assure that the errors noted in the above-referenced market conduct examination reports do not recur at any future time;

2. United General agrees to review all files noted in the examination report containing incorrect risk rates, as well as all of Equity National Title & Closing Services (hereafter, "Equity National"), South Central Missouri Title, MCT Title Services, and Lenders First Choice Agency's policy files for calendar years 2007 and 2008 to determine if any other policyholders were overcharged and refund the amount of the overcharge to the consumers. A letter should be included with the refund payments indicating that "as a result of a Missouri Market Conduct examination," it was found that a refund was owed on the policy. With regard to the 461 letters that Equity National already issued to consumers on July 30, 2010, Equity National shall send follow-up letters explaining to the recipients that the letters they previously received were sent out "as a result of a Missouri Market Conduct examination" and that the payments represented "refunds" of overpayments of title

premium. Evidence should also be provided to the DIFP within 180 days after an Order is entered by the Director closing this examination that all such payments have been made and letters have been sent, including those by Equity National;

3. United General agrees to review all of Equity National Title & Closing, and Sunrise Abstracting & Title Services' policy files for calendar years 2007 and 2008 to determine if any other fees were charged for which there was little or no services performed, and refund any overcharge to the consumer. A letter should be included with the refund payments indicating that "as a result of a Missouri Market Conduct examination," it was found that a refund was owed. Evidence should also be provided to the DIFP within 180 days after an Order is entered by the Director closing this examination that such payments have been made; and

4. United General agrees to review all of Netco's policy files for calendar years 2007 and 2008 to the extent that United General is able to obtain such files from Netco to determine if any other fees were charged for which there was little or no services performed, and refund any overcharge to the consumer. A letter should be included with the refund payments indicating that "as a result of a Missouri Market Conduct examination," it was found that a refund was owed on the policy. Evidence should also be provided to the DIFP within 180 days after the records are mailed to United General to provide the Director with an accounting of all reimbursements made and evidence of United General's review of the documents and that such payments have been made; and

5. United General 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 90 days of the entry of a final Order closing this examination.

WHEREAS, United General neither admits nor denies the findings or violations set forth above and enumerated in the above-referenced examination report;

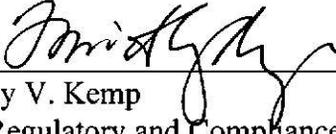
WHEREAS, United General, after being advised by legal counsel, does hereby voluntarily and knowingly waive any and all rights for procedural requirements, including notice and an opportunity for a hearing, which may have otherwise applied to Market Conduct Examination #0811-21-TGT; and

WHEREAS, United General hereby agrees to the imposition of the ORDER of the Director and as a result of Market Conduct Examination #0811-21-TGT further agrees, voluntarily and knowingly to surrender and forfeit the sum of \$52,000.

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 United General to transact the business of insurance in the State of Missouri or the imposition of other sanctions, United General

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 \$52,000, such sum payable to the Missouri State School Fund, in accordance with §374.280, RSMo.

DATED: 9/13/11



Timothy V. Kemp
Chief Regulatory and Compliance Counsel
First American Title Insurance Co.
On behalf of United General Title Insurance Co.



**UNITED GENERAL
TITLE INSURANCE COMPANY**
"THE HOME OF THE FIVE STAR SERVICE"

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FEB 26 2010

DEPT OF INSURANCE
FINANCIAL INSTITUTIONS &
PROFESSIONAL REGISTRATION

Office of Division Counsel
303-305-1324 / 303-305-1325

February 25, 2010

Carolyn H. Kerr, Esq.
Senior Counsel
Market Conduct Section
MO Department of Insurance
Financial Institutions and
Professional Registration
301 West High Street, Room 530
Jefferson City, MO 65102

Re: Missouri Market Conduct Examination #0811-21-TGT
United General Title Insurance Company - NAIC #51624
Response to MO-DIFP Market Conduct Exam Report

Dear Ms. Kerr:

United General Title Insurance Company (Company) respectfully submits its response to the Missouri Department of Insurance, Financial Institutions and Professional Registration (MO-DIFP), Market Conduct Section, Draft Market Conduct Examination Report.

On behalf of the Company, I want to extend my appreciation for the MO-DIFP's generous extension of time for submitting a response from Friday, February 12, 2010 to Friday, February 26, 2010.

Finally, as First American Title Insurance Company's Counsel charged with overseeing the legal/regulatory matters of the State of Missouri, I am authorized to prepare and submit the Company's response. If you have any questions or require additional information, please don't hesitate to contact me.

Thank you.

Respectfully submitted,

UNITED GENERAL TITLE INSURANCE COMPANY

By: 
Lenore A. Martinez, Division Counsel

C: Mr. John M. Hollenbeck
President
United General Title Insurance Company

Timothy V. Kemp, Esq.
The First American Corporation
Chief Regulatory & Compliance Counsel
Director of Government Relations

UNITED GENERAL TITLE INSURANCE COMPANY, NAIC #51624

RESPONSE TO

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

**DRAFT MARKET CONDUCT EXAMINATION REPORT
Of the Title Insurance Business of
United General title Insurance Company
NAIC #51624**

MISSOURI EXAMINATION #0811-21-TGT

Submitted

February 26, 2010

INTRODUCTION

United General Title Insurance Company (Company of UGTIC), NAIC #51624, respectfully responds to the Missouri Department of Insurance Financial Institutions and Professional Registration (MO-DIFP) Draft Market Conduct Examination Report (Report).

In the interest of efficiency, the Company does not re-state the examiner's findings verbatim, but either cites the section of the Report, the applicable agent, file or policy number. In the case of multiple criticisms, the Company will paraphrase or briefly summarize the criticism.

BACKGROUND

In February 2005, First American Title Insurance Company (FATICO) acquired UGTIC as a wholly-owned subsidiary. The business plan at that time was to have two separate but equal "brands" within the same group operating in the market. This business plan was executed upon and effectuated for two years, with varying degrees of success. In practice, however, local managers ultimately found it more efficient to operate a single profit center and focus on a single brand, so the UGTIC book of business shrunk in most major markets as local management increasingly channeled business into FATICO. As such, FATICO, UGTIC, and their ultimate parent determined in 2008 that it would be best to consolidate the book of business into FATICO.

Effective September 30, 2008, UGTIC's primary regulator, the California Department of Insurance, granted the Company's 1011(c) application approving the transfer of all UGTIC assets and liabilities into FATICO, and UGTIC ceased conducting business. Rather than merging UGTIC out of existence, and losing the flexibility that having such a licensed entity represents, it was decided to leave UGTIC as a "clean shell" with licenses active in nearly every jurisdiction which can, if and when determined to be advantageous, either be sold or reactivated consistent with then-current market conditions and corporate strategy. At the end of 2008, UGTIC ceased conducting business, all agents were transferred or terminated and any remaining staff were transferred or laid off.

The MO-DIFP Notice of Market Conduct Exam was received on December 1, 2008, after the Company had ceased conducting business.

EXAMINATION FINDINGS

I. SALES AND MARKETING

B. Licensing of Producers and Producer Entities

- a) The examiners found that the Company's agent, Best Abstract and Title Company, had one unlicensed individual who primarily performed accounting services but who also went to the court house and gathered updated information on title files.

UGTIC required that all individuals actively involved in the business of title insurance be licensed as required by the applicable State of Missouri licensing statutes. On occasion, an agent will employ an individual that is not licensed and does not notify the Company. Once UGTIC became aware of such a situation, the Company immediately notified the agency that the person in question needed to become licensed to comply with Missouri's licensing statutes and must cease their current activities until such a license had been obtained. This matter was discussed with the agent and the Company instructed the agency that if the referenced individual was still employed and performing any title functions, she must be licensed.

- b) The examiners also found that Westside Escrow was operating a title agency without a license. Handling escrows, settlements or closings is an activity requiring licensure.

Westside Escrow was not and had never been an agent of UGTIC. Section 2.3 of UGTIC's agency agreement with Sunrise Abstracting and Title Services, owner of all shares of Westside Escrow, Inc., states that: "This appointment is strictly limited to the purposes stated in this Section and any other purpose including but not limited to acting as representative for the conduct of or provision of any closing, settlement trust or escrow service or activity, or providing such services for or on behalf of the Company, or in the name of Company, regardless of whether such services may be provided in conjunction with or incidental to the production of title insurance products." Escrow functions are outside the scope of the agency agreement. Therefore, neither sunrise Abstracting and Titles Services nor Westside Escrow was performing these functions on behalf of UGTIC.

II. UNDERWRITING AND RATING PRACTICES

A. Forms and Filings

- a) Agents use of language not included in forms filed with Director 30 days prior to use.

Consistent with Missouri law, UGTIC filed forms with the Director 30 days prior to use and forwarded these forms to its agents with instructions to use the filed forms only. Upon learning of alteration of forms, UGTIC immediately contacted agents, discussed their non-compliance and obtained their assurances that agents would use filed forms only.

B. Underwriting and Rating

- a) Risk rate shown on HUD incorrect.

UGTIC had discussed this issue with the agent and provided a risk rate calculator tool for them to use to alleviate any future problems with the risk rate calculation. The agent represented that it would correctly show the risk rate on the HUD.

b) Recording documents more than 5 business days since the disbursement of funds.

UGTIC notified the agent of their delay in failing to record timely by recording on the 6th day. The agent has stated that they will comply with these provisions going forward.

c) Collected fees for services not performed.

UGTIC discussed this with the agent and instructed them to return the fees for services that were charged but not provided.

d) Failure to issue insured closing letter prior to closing.

UGTIC discussed this requirement with the agent and instructed them to issue a CPL for every transaction where they are handling the escrow transaction and to charge the appropriate fee for such letter. The agent has communicated it will comply with these provision going forward.

e) Affiliated Business Arrangements

UGTIC discussed the requirement to disclose the existence of an Affiliated Business Arrangement between the agent and Advanced Financial Services, Inc. to the borrower, to provide a written estimate of the charges for title services and to advise the borrower that they are free to choose another title company. The agent has stated that it will comply with these provisions going forward.

f) Lenders First Choice Agency, Inc.

Lenders First Choice Agency, Inc. filed for bankruptcy protection and is no longer an operational entity. UGTIC responded to the individual file issues during the exam.

g) United Title Company, Inc.

UTC filed for bankruptcy protection and is no longer an operational entity. Concerning the note that files were not provided for review, UGTIC was unsuccessful in reaching anyone at this former company to provide such files.

III. CLAIMS PRACTICES

In reviewing the report, Claims Counsel believes all matters were addressed during the exam.

V. CRITICISMS AND FORMAL REQUESTS TIME STUDY

UGTIC made every attempt to be responsive and timely to examiner requests and criticisms. The Company takes very seriously adherence to regulatory and compliance matters. However, on September 30, 2008, before the commencement of the MO-DIFP exam, UGTIC received approval from its primary regulator to cease conducting business. Subsequently, UGTIC's agents were terminated, its staff either transferred or terminated and its doors closed on December 31, 2008. After the termination of agents, UGTIC found agents reluctant to provide information or provide information timely. UGTIC made every attempt to be responsive and timely to examiner requests and criticisms.

The Company thanks the MO-DIFP for giving it an opportunity to respond to the draft report.

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



FINAL MARKET CONDUCT EXAMINATION REPORT
Of the Title Insurance Business of

United General Title Insurance Company
NAIC # 51624

MISSOURI EXAMINATION # 0811-21-TGT

NAIC EXAM TRACKING SYSTEM # MO268-M91

September 30, 2011

Home Office
8310 South Valley Highway, Suite 130
Englewood, CO 80112

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FOREWORD

This is a targeted market conduct examination report of the United General Title Insurance Company, (NAIC Code #51624). This examination was conducted at the offices of various title insurance agents of United General 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 “United General” refers to United General 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;
- “RSMo” refers to the Revised Statutes of Missouri. All citations are to RSMo 2000, unless otherwise specified.

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, 2004, through December 30, 2008, 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, policy holder services, claims handling, marketing and sales, producer licensing, and complaints.

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.

United General Title Insurance Company, a California domiciled title insurer markets through a network of carefully selected agents and direct operations and is currently doing business in all states and the District of Columbia. United General Title offers comprehensive support services, experienced local and regional underwriting counsel, the latest Web technology and same-day response to residential and commercial transaction requests.

United General Title was formed in the State of Louisiana in September 1983 as a subsidiary of a national financial services company and commenced business on September 15, 1983. In 1996, the Company was acquired by Townsquare Title Services Corporation, and subsequently merged into United General Title. The Company began to build and grow region by region. In 1999, it redomesticated to the Mile High City of Denver, Colorado, where it was headquartered until December 2007, when it redomesticated to the State of California. Its main administrative offices remain in Colorado. In February 2005, United General Title became a member of The First American Corporation family of companies (NYSE: FAF), a Fortune 500 Company, which also includes First American Title Insurance Company ("First American").

United General Title's Residential and Commercial Divisions have offices throughout the nation providing title, escrow, UCC-9 and other 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 sound financial strength. Recognizing this, United General Title has undergone rigorous quantitative analysis by Demotech, Inc., a financial analysis and actuarial firm independent of the insurers it reviews. Demotech rates United General Title "A". The Company holds an "A (Excellent)" rating from AM Best and a B rating from LACE Financial Corporation.

United General Title also recognizes that the title insurance company requires sufficient reserves to cover retained liability and maintain a formidable financial position. The Company succeeds in the arena through proper management of its capital and surplus, and maintenance of appropriate reserve levels. In addition, United General Title has the full faith and backing of its parent, First American Title Insurance Company,

and its financial strength. Moreover, the Company has a reinsurance agreement with First American, which significantly increases its capacity to issue policies on the largest commercial and residential transactions.

United General Title is a title insurance company managed by experienced title professionals known widely throughout the industry. Its agents are screened for their experience, industry knowledge, financial strength, as well as for their service excellence and responsiveness to client requests. This service is backed by United General Title's experienced management, senior underwriting and legal professionals.

EXECUTIVE SUMMARY

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

- The examiners found instances where the Company failed to use a title plant in preparing the search of title or performed no search at all.
- The Company issued policies with standard exceptions that are not the same as the standard exceptions used by the Company in the forms filed with the director.
- The Company collected an incorrect premium in several files.
- The Company delayed recording deeds without explanation.
- 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.
- The Company did not keep first party claimants regularly informed of reasons for delays in processing claims in several instances.
- In more than one instance, the Company did not timely establish proper reserves for known claims that might result in a loss or cause expense to be incurred.

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.

United General 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 United General 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:

The examiners found that the Company's agent Best Abstract and Title Company had one unlicensed individual, Carolyn Collins, performing searches for approximately four years.

She was not licensed as a title insurance agent.

Reference: §381.115, RSMo (Supp. 2008)

The United General agent Sunrise Abstracting and Title Services is a closely held Missouri corporation. The owner of all the shares of Sunrise Abstracting and Title Services also owns all of the shares of Westside Escrow, Inc. a Missouri corporation. Westside Escrow, Inc. specializes in conducting real estate closings. Sunrise Abstracting and Title Services, Inc. frequently relies upon decisions made and transactions handled by Westside Escrow, Inc. in determining the insurability of title insurance policies written by Sunrise Abstracting and Title Services, Inc. as issuing agent for United General. While all of the closers working at Westside Escrow, Inc. are licensed as title insurance agents, Westside Escrow, Inc. is, not a licensed agency.

Westside Escrow is operating as a title agency without a license. Handling escrows, settlements or closings is an activity requiring licensure.

Reference: §381.115.1, RSMo (Supp. 2008),

One of the Company's agencies, Equity National Title & Closing Services, processed applications for title insurance policies in the following three files through the services of employees and agents who are not licensed as title insurance agents in Missouri. The examiner could not identify any individual performing any task in any of these files who was licensed as a title insurance agent by the director. An agent signature appears in each file on commitments and policies. However, that signature appears to be a stamped signature, and there is no other evidence that the agent performed any task in relation to the files or a review of the title work done in these files.

The company issued three policies in files where the licensed agent could not be identified.

Reference: §381.115.1, RSMo (Supp. 2008)

| Policy | File | Agency | County |
|---------------|-------------|-----------------|---------------|
| 55152-15543 | 10815400 | Equity National | Jackson |
| 55152-6198 | 10710030 | Equity National | Howell |
| 55152-6204 | 1081231 | Equity National | Greene |

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 items 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 examiners reviewed the Company's marketing and advertising materials, including training practices for

producers, for the period January 1, 2008, through December 31, 2008. The Company markets its products through independent agents.

The examiners found no errors during this review.

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 examiners requested the Company underwriting and rating manuals for the line of business under review. This included all rates, guidelines, and rules that were in effect on the first day of the examination period and at any point during that period to ensure that the examiners could properly rate each policy reviewed.

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.

The examiners also requested a written description of significant underwriting and rating changes that occurred during the examination period for underwriting files that were maintained in an electronic format.

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 the following errors during their review:

In the following files, the insurer delivered or issued for delivery or permitted its authorized title agencies or title agents to deliver standard forms providing coverage in connection with title insurance that were not filed with the Director 30 days prior to use.

A LandChoice office and MCT office issued commitments with Schedule B-II forms containing general exceptions in the following four files that were not the same as those filed by United General Title as part of the commitment jacket.

A title insurer shall not deliver or issue for delivery or permit any of its authorized title agencies or title agents to deliver in this state any standard form providing coverage in connection with title insurance written unless the standard form has been filed with the director 30 days prior to use.

Reference: §381.085, RSMo (Supp. 2008), and 20 CSR 500-7.130(1)

| File | Policy | Agency |
|-------------|--------------------------|---------------|
| 8050082 | 55152-19511 | LandChoice |
| 8030063 | 55152-6965 | LandChoice |
| 0802003 | 55152-6762 55153-6667 | MCT |
| 0803030 | 55152-10840 | MCT |

In the following nine files, LandChoice offices issued commitments with an exception for general taxes that is not the same as the exception for general taxes filed by the Company with the director.

Reference: §381.085, RSMo (Supp. 2008), and 20 CSR 500-7.130(1)

| File | Policy | Agency |
|-------------|---------------|---------------|
| M0712045 | 35638313 | LandChoice |
| X0803026 | 55152-10136 | LandChoice |
| F0804043 | 55152-15811 | LandChoice |
| A0805024 | 55152-19244 | LandChoice |
| M0804069 | 55152-19258 | LandChoice |
| F0802050 | 55152-19284 | LandChoice |

| File | Policy | Agency |
|----------|-------------|------------|
| R0801028 | 55152-19313 | LandChoice |
| N0807001 | 55153-10809 | LandChoice |
| N0801013 | 55153-6491 | LandChoice |

In the following three files, Equity National Title & Closing issued commitment forms containing exculpatory language that is not a part of the language in the commitment forms filed by United General Title Insurance Company with the director.

Reference: §381.085, RSMo (Supp. 2008), and 20 CSR 500-7.130(1)

| File | Policy | Agency |
|----------|-------------|-----------------|
| 10815400 | 55152-15543 | Equity National |
| 10710030 | 55152-6198 | Equity National |
| 1081231 | 55152-6204 | Equity National |

United General Title Insurance Company filed no general use policy form containing an exception for a gap period. Its agent, Clear Title Nationwide, Inc. issued policies with an exception for matters arising during a gap period in the following two files.

Reference: §381.085, RSMo (Supp. 2008), and 20 CSR 500-7.130(1)

| File | Policy | Agency |
|--------|---------------|-------------|
| 710054 | 5515264305639 | Clear Title |
| 803010 | 5515264305722 | Clear Title |

The Company filed form 55152-A(5/22/07) and 55153A(5/22/07) for use in Missouri. The filed form includes "Premium:" to be listed on the policy but does not indicate that "Risk Rate:" should be indicated on the policy. In the following instance, the policy issued contained both the "Premium" and the "Risk Rate" on the form. The amount calculated for the "Premium" differs from the amount calculated and listed as the "Risk Rate."

The form used is not filed with the Department. By definition, in Missouri, "Premium" equals the "Risk Rate." §381.031(14), RSMo. An unfiled form provides inaccurate information to consumers regarding their policy. Risk Rate as listed on the policy is incorrect information.

Reference: §§381.031(14), 381.085, RSMo (Supp. 2008), and 20 CSR 500-7.130(1)

| File | Policy | Policy Form # | Prem. | Risk Rate Listed on Policy | Agent |
|----------|-------------|------------------|---------|----------------------------|--------------|
| 0802003 | 55153-6667 | 55153-A(5/22/07) | \$28.00 | \$21.00 | MCT Title |
| | 55152-6762 | 55152-A(5/22/07) | \$8.00 | \$6.00 | |
| A0708001 | 55153-10740 | 55153-A(5/22/07) | \$8.40 | \$4.10 | MCT Title |
| 0803030 | 55152-10840 | 55152-A95/22/07) | \$59.05 | \$29.53 | MCT Title |

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.

Field Size: 4,922
Sample Size: 49
Type of Sample: Random

- Three files were reviewed for Best Abstract & Title Company, and three of those files contained errors.
- Two files were reviewed for Clear Title Nationwide, Inc. Both of those files were in error.
- Three files were reviewed for Equity Title and Closing Services, Inc., and all of those files contained errors.
- Two files were reviewed for Forum Title Company, LLC, and both of those files contained errors.
- Eleven files were reviewed for LandChoice Company, LLC, and 10 of those files contained errors.
- Five files were reviewed for Landmann Title Co., Inc., and none of those files contained errors.
- Three files were requested for Lender's First Choice Agency, Inc., and all of those files contained errors. The agency is no longer doing business.
- Three files were reviewed for MCT Title Services, LLC, and three of those files contained errors.
- One file was reviewed for South Central Missouri Title, LLC, and it was in error.
- Sixteen files were reviewed for Sunrise Abstracting and Title Service, and five files contained errors.
- One file was requested for United Title Company, Inc. The agency is out of business and the file was not provided.

The errors noted in the review of underwriting are as follows:

The examiners discovered the Company or their agent failed to document their file in a manner that enabled the examiners to verify the date the policy was provided to the

insured. According to the Company response, the agency has put in place a formal process whereby the date the agency places the policy in the mail is recorded in a log.

| File No. | Policy No. | Agency |
|----------|------------|-------------------------|
| None | 55153-839 | Best Abstract and Title |
| None | 64342014 | Best Abstract and Title |
| None | 64342013 | Best Abstract and Title |

The Company or their agent failed to maintain records in a manner so that the practices of the insurer could be readily ascertained during the market conduct examination.

Reference: 20 CSR 100-8.040(2)

The Company's agent, LandChoice Company, took more than 45 days to issue policies in each of the following four files.

| File | Policy | Disbursed | Policy Date | Mailed | Days | Agency |
|----------|-------------|-----------|-------------|-----------|------|------------|
| F0804043 | 55152-15811 | 6/2/2008 | 7/15/2008 | 8/4/2008 | 63 | LandChoice |
| F0802050 | 55152-19284 | 3/18/2008 | 3/25/2008 | 7/8/2008 | 112 | LandChoice |
| R0801028 | 55152-19313 | | 2/26/2008 | 7/14/2008 | 137 | LandChoice |
| 8030063 | 55152-6965 | 4/17/2008 | 4/18/2008 | 6/5/2008 | 49 | LandChoice |

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 (Supp. 2008) and 20 CSR 500-7.090(2)

The examiners found that the Company's agencies, LandChoice Company, Sunrise Abstracting and Title Services, Clear Title Nationwide, MCT and Forum Title Company undercharged risk rate premium in the following six files.

| File | Policy | Policy Amount | Charged on HUD-1 | Actual Calculated by Filed Rate | as Risk | Agency |
|----------|---------------|---------------|------------------|---------------------------------|---------|------------------|
| X0803026 | 55152-10136 | \$195,000.00 | \$127.50 | \$207.00 | | LandChoice |
| F0802050 | 55152-19284 | \$55,000.00 | \$32.50 | \$54.00 | | LandChoice |
| N0807001 | 55153-10809 | \$166,500.00 | \$113.50 | \$183.20 | | LandChoice |
| 47191 | 55153-10553 | \$400,000.00 | \$230.00 | \$370.00 | | Sunrise Abstract |
| 803010 | 5515264305722 | \$159,900.00 | \$85.00 | \$131.79 | | Clear Title |
| FT805015 | 55152-8019 | \$155,000.00 | \$107.50 | \$174.00 | | Forum Title |

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 (Supp. 2008), and 20 CSR 500-7.100 and related form T-7

United General agents Equity National Title & Closing Services and South Central Missouri Title overcharged for title insurance risk rate premium in the following eight files. The consumer in each file paid risk rate premium for the title insurance policy that was more than the rate applicable to the policy.

| File | Policy | Policy Amount | Charged on HUD-1 | Actual as Calculated Using Filed Risk Rate | Agency |
|--------------|---------------|----------------------|-------------------------|---|-----------------|
| 10815400 | 55152-15543 | \$50,000.00 | \$125.00 | \$50.00 | Equity National |
| 10710030 | 55152-6198 | \$50,960.00 | \$127.00 | \$50.80 | Equity National |
| 1081231 | 55152-6204 | \$96,300.00 | \$219.00 | \$87.04 | Equity National |
| 08-44462 | 55153-6897 | \$69,000.00 | \$92.80 | \$56.75 | South Central |
| A0708001 | 55153-10740 | \$5,120.00 | \$170.00 | \$8.40 | MCT |
| 71-000835551 | 55127-38653 | \$213,549.00 | \$425.00 | \$169.52 | Lenders First |
| 36-02430878 | 55127-52219 | \$112,817.00 | \$425.00 | \$99.03 | Lenders First |
| 36-02319851 | 55127-52220 | \$50,000.00 | \$125.00 | \$50.00 | Lenders First |

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 (Supp. 2008), and 20 CSR 500-7.100 and related form T-7

The Company issued a closing protection letter to the lender in this file during the year 2008 but failed to collect the closing protection letter fee filed with the Director. The HUD-1 prepared by the agent for the closing does not show any charge for the closing protection letter.

| File | Policy | Policy Date | CPL Date | Closed | Agency |
|-------------|---------------|--------------------|-----------------|---------------|---------------|
| 36-02430878 | 55127-52219 | 5/28/2008 | 4/12/2008 | 5/19/2008 | Lenders First |

The rate for issuance of a closing or settlement protection letter in a residential real estate transaction for the purpose of indemnifying a borrower or lender is filed as a rate with the Director. The entire rate for the closing protection letter shall be retained by the insurer. The closing protection fee must be separately shown on the HUD-1.

Reference: §381.058.3(2) and (4), RSMo (Supp. 2008), and 20 CSR 500-7.050(2)(A)2

United General agents LandChoice Company, Equity National Title & Closing Services, Clear Title Nationwide, and Lenders First Choice Agency recorded deeds more than five business days after disbursing funds from a closing in the following six files.

| File | Policy | Disbursed | Recorded | Bus. Days | Agent |
|-------------|---------------|------------|-----------|-----------|-----------------|
| F0804043 | 55152-15811 | 6/2/2008 | 7/15/2008 | 27 | LandChoice |
| 10815400 | 55152-15543 | 8/26/2008 | 9/4/2008 | 6 | Equity National |
| 710054 | 5515264305639 | 12/27/2007 | 1/15/2008 | 11 | Clear Title |
| 803010 | 5515264305722 | 3/19/2008 | 3/27/2008 | 6 | Clear Title |
| 71-00835551 | 55127-38653 | 1/18/2008 | 2/28/2008 | 26 | Lenders First |
| 36-02430878 | 55127-52219 | 5/28/2008 | 6/30/2008 | 22 | Lenders First |

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 (Supp. 2008)

United General agent Lenders First Choice Agency did not record the deeds from the following transaction until four business days after disbursing funds from the closing.

| File | Policy | Disbursed | Recorded | Bus. Days | Agent |
|-------------|-------------|-----------|----------|-----------|---------------|
| 36-02319851 | 55127-52220 | 7/31/2007 | 8/6/2007 | 4 | Lenders First |

The settlement agent who closed a real estate transaction during calendar year 2007 was ordinarily required to record the deeds from the transaction within three business days.

Reference: §381.412.1, RSMo (2000)

The United General agent Equity National Title & Closing Services collected fees for recording releases in these next two files but the lenders had already agreed to release the mortgages and had collected the release recording fees. Equity National Title collected these fees for services not performed.

| File | Policy | Agent release fees | Lender release fees | Agency |
|----------|-------------|--------------------|---------------------|-----------------|
| 10815400 | 55152-15543 | \$21.00 | \$24.00 | Equity National |
| 10710030 | 55152-6198 | \$48.00 | \$54.00 | Equity National |

The Federal Real Estate Settlement Procedures Act (RESPA) and related regulations prohibit the charging of a fee for which no or nominal services are performed, or the charging of a separate fee for a service that has already been charged for as a component part of another fee. A lender who has been fully paid the balance of a loan along with the deed of release for same.

Reference: .381.048, RSMo, and RESPA 24 CFR 3500.14(c)

Sunrise Abstracting and Title Services charged document preparation fees to five sellers in connection with the following escrow transactions. Sunrise Abstracting and Title Services is not a law firm and may not charge for document preparation.

| File | Policy | Document fee | Paid by | Agency |
|-------|-------------|--------------|---------|---------------------|
| 47670 | 55153-10616 | \$75.00 | Seller | Sunrise Abstracting |
| 43710 | 55152-7774 | \$90.00 | Seller | Sunrise Abstracting |
| 47338 | 55153-10472 | \$45.00 | Seller | Sunrise Abstracting |
| 46209 | 55153-10473 | \$75.00 | Seller | Sunrise Abstracting |
| 47191 | 55153-10553 | \$30.00 | Seller | Sunrise Abstracting |

The Missouri Supreme Court has declared that preparation of deeds for a fee constitutes the practice of law and that only attorneys may charge a fee for preparation of instruments designed to convey interests in land.

Reference: §484.010 and .020, RSMo, *Eisel v Midwest BankCentre*, 230 SW3d 335 (Mo. banc 2008); and *In re First Escrow, Inc.*, 840 S.W.2d 839 (Mo. banc 1992)

Equity National Title and Closing Services closed the following three transactions in escrow. The examiner found no clear disclosure to the lender that there was no protection for closing or settlement funds received by the title agency provided by the Company.

| File | Policy | Closed | Disbursed | Agency |
|----------|-------------|-----------|-----------|-----------------|
| 10815400 | 55152-15543 | 8/21/2008 | 8/26/2008 | Equity National |
| 10710030 | 55152-6198 | 2/4/2008 | 2/4/2008 | Equity National |
| 1081231 | 55152-6204 | 2/7/2008 | 2/12/2008 | Equity National |

A title agency or agent may not engage in the handling of an escrow transaction, unless, prior to accepting funds into the escrow account, the agent has issued closing protection letters or has clearly disclosed to the seller, buyer or lender involved in such escrow, settlement or closing, that no title insurer is providing any protection for closing or settlement funds received by the title agency or agent.

Reference: §381.022.6, RSMo (Supp. 2008)

The examiners reviewed three files from Equity National Title & Closing Services, an agency of United General. Advanced Financial Services, Inc. was the lender in all three of the title transactions reviewed.

Advanced Financial Services, Inc. is registered with the Missouri Secretary of State as a foreign corporation with headquarters in Rhode Island. The Missouri 2009 Annual Registration for this corporation was filed 2/24/2009 and names Dennis F. Hxxxxxx as the sole member of the board of directors. That same registration names Lisa S. Hxxxxxx as Vice President, Deanna M. Rxx as Secretary, and Robert Bxxx as Treasurer.

Equity National Title & Closing Services, Inc. is registered with the Missouri Secretary of State as a foreign corporation with its headquarters in Rhode Island. The Missouri 2009 Annual Registration for this corporation was filed 6/23/2009 and names Dennis F. Hxxxxxx as the sole member of the board of directors. The registration names Deanna M. Rxx as Secretary and Robert Bxxx as Treasurer. The relationship between Advanced Financial Services, Inc. and Equity National Title & Closing Services, Inc. is the equivalent of an Affiliated Business Arrangement as discussed and defined by §381.029, RSMo (Supp. 2008).

The examiner found no indication in any of these three files that the borrower paying the title insurance and settlement service fees was advised by the agent or by the lender of the existence of this Affiliated Business Arrangement, or that the borrower was provided with a written estimate of the charge or range of charges likely to be assessed for the agent's services. Further, there is no suggestion in any of these files that the borrower was advised that she was free to choose a different title insurer, title agency, or title agent.

| File | Policy | Disbursed | Lender | Agency |
|-------------|---------------|------------------|--------------------|-----------------|
| 10815400 | 55152-15543 | 8/26/2008 | Advanced Financial | Equity National |
| 10710030 | 55152-6198 | 2/4/2008 | Advanced Financial | Equity National |
| 1081231 | 55152-6204 | 2/12/2008 | Advanced Financial | Equity National |

When title insurance business to be written constitutes affiliated business, prior to commencing the transaction, the title insurer, title agency, or title agent shall ensure that its customer has been provided with disclosure of the existence of the affiliated business arrangement and with a written estimate of the charge or range of charges generally made for the title services provided by the title insurer, title agency, or agent. The Company failed to properly document its files so that the examiners could readily ascertain its practices and procedures and compliance with state and federal laws relating to title insurance transactions.

Reference: 20 CSR 100-8.040(2)

The United General agency Forum Title Company is a Missouri limited liability company. The seller in the following transaction was a member of Forum Title Company, a relationship that constitutes an Affiliated Business Arrangement. The

examiner found no indication in this file that the purchaser in this transaction was provided with disclosure of the Affiliated Business Arrangement.

| File | Policy | Disbursed | Agency |
|-------------|---------------|------------------|---------------|
| FT805006 | 55152-8006 | 5/30/2008 | Forum Title |

When title insurance business to be written constitutes affiliated business, prior to commencing the transaction, the title insurer, title agency, or title agent shall ensure that its customer has been provided with disclosure of the existence of the affiliated business arrangement and with a written estimate of the charge or range of charges generally made for the title services provided by the title insurer, title agency, or agent.

Reference: §381.029, RSMo (Supp. 2008)

The United General agent Clear Title Nationwide performed no search of title covering the second parcel of land covered in the policies issued in the following file.

| File | Policy | Closed | Agency |
|-------------|---------------|---------------|------------------------|
| 710054 | 5515264305639 | 12/27/2007 | Clear Title Nationwide |

No title insurance policy shall be written unless and until the title insurer, title agent, or agency has caused a 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

United General agents LandChoice Company, Equity National Title & Closing Services, Clear Title Nationwide, Forum Title Company, and Lenders First Choice, prepared searches of title in 18 files without using a qualified title plant. The title examiner failed to state in clear and specific terms the reasons for not doing so.

| Policy | File | Agent |
|---------------|-------------|-----------------|
| 35638313 | M0712045 | LandChoice |
| 55152-10136 | X0803026 | LandChoice |
| 55152-15811 | F0804043 | LandChoice |
| 55152-19244 | A0805024 | LandChoice |
| 55152-19258 | M0804069 | LandChoice |
| 55152-19284 | F0802050 | LandChoice |
| 55153-10809 | N0807001 | LandChoice |
| 55153-6491 | N0801013 | LandChoice |
| 55152-15543 | 10815400 | Equity National |
| 55152-6198 | 10710030 | Equity National |
| 55152-6204 | 1081231 | Equity National |
| 5515264305639 | 710054 | Clear Title |
| 5515264305722 | 803010 | Clear Title |

| Policy | File | Agent |
|-------------|--------------|---------------|
| 55152-8006 | FT805006 | Forum Title |
| 55152-8019 | FT805015 | Forum Title |
| 55127-38653 | 71-000835551 | Lenders First |
| 55127-52219 | 36-02430878 | Lenders First |
| 55127-52220 | 36-02319851 | Lenders First |

No title insurance policy shall be written unless and until the title insurer, title agent, or agency has caused a search of title to be made from the evidence prepared from a title plant of the county where the property is located. If a title examiner does not use a title plant for performance of the search of title, then the examiner shall state in clear and specific terms the reasons for not doing so.

Reference: §§381.071.1(1) and 381.031.22, RSMo (Supp. 2008), 20 CSR 500-7.200(2) and (3), and DIFP bulletin 08-06

LandChoice Company issued a policy without reporting specific easements and restrictions that were a matter of record and had been reported as exceptions in earlier policies issued by the agent. It is an unsound underwriting practice to omit known exceptions to title. See Company underwriting guidelines dated September 2005, discussion of easements page 66 and discussion of restrictions starting on page 149.

| File | Policy | OP Amount | MP Amount | Agent |
|----------|-------------|-------------|-------------|------------|
| A0805024 | 55152-19244 | \$92,000.00 | \$92,000.00 | LandChoice |

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

Reference: §381.071.1(2), RSMo

In the following three files, Equity National Title & Closing Services failed to verify that the status of title remained unchanged from the date of the commitment to the date of disbursing from escrow. The time delay ranged from 11 to 90 days in these three files. It is an unsound underwriting practice to fail to verify that status of title remains unchanged prior to disbursing funds from escrow, an event that ordinarily creates a final obligation to insure.

| File | Policy | Policy Amount | Comm. | Disbursed | Days | Agent |
|----------|-------------|---------------|-----------|-----------|------|-----------------|
| 10815400 | 55152-15543 | \$50,000.00 | 8/15/2008 | 8/26/2008 | 11 | Equity National |
| 10710030 | 55152-6198 | \$50,960.00 | 11/6/2007 | 2/4/2008 | 90 | Equity National |
| 1081231 | 55152-6204 | \$96,300.00 | 1/30/2008 | 2/12/2008 | 13 | Equity National |

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

Reference: §381.071.1(2), RSMo

In the following file, Clear Title Nationwide conducted the escrow closing relying on mortgage payoff data obtained by the mortgage broker. The Clear Title closer specifically requested that the mortgage broker obtain new mortgage payoff figures when an update was needed. The agent did not verify the payoff information. Reliance on unverified mortgage payoff figures is an unsound underwriting practice.

| File | Policy | Policy Amount | Agent |
|--------|---------------|---------------|-------------|
| 803010 | 5515264305722 | \$159,900.00 | Clear Title |

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

Reference: §381.071.1(2), RSMo

In the following file, South Central Missouri Title used an exception for rights of way that is not clear, precise and unambiguous and used an exception for matters arising during a gap period. The exception language for the gap period implies that the agent has not searched title to the date of recording.

| File | Policy | Policy Amount | Agent |
|----------|------------|---------------|------------------------|
| 08-44462 | 55153-6897 | \$69,000.00 | South Central Missouri |

Use of an exception that is not clear is an unsound underwriting practice. Failure to search through date of recording is an unsound underwriting practice. No title insurance policy shall be written unless and until the title insurer, title agent, or agency has caused to be made a determination of insurability of title in accordance with sound underwriting practices.

Reference: §381.071.1(2), RSMo

In the following file, Lenders First Choice Agency arranged for the search of title to be performed by a company identified in the file as "Infinity Searcher." Infinity Searcher has a mailing address identical to that of the agent. In searching the title, Infinity Searcher used an internet based Missouri Courts Record system known as Case.net, which may be found at, <https://www.courts.mo.gov/casenet/base/welcome.do>.

In checking the automated indices for the names of the owners, Infinity Searcher entered information for both the last and first names of each individual in an entry block specified to be for the last names and business names. The searching system has a separate entry block for first names. Infinity Searcher failed to discover two judgments entered against

the names of the owners that were not satisfied on the record and were matters of record at the time of the search. Those two judgments remain unsatisfied on the record.

| File | Policy | Policy Amount | Agent |
|-------------|---------------|----------------------|---------------|
| 36-02430878 | 55127-52219 | 112,817.00 | Lenders First |

Sound underwriting practices include reporting as exceptions, liens that are a matter of record.

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

Reference: §381.071.1(2), RSMo

The following LandChoice Company file contains no copy of any deed recorded prior to the date of the policy, no abstract of any deed recorded prior to the date of the policy, and no notes evidencing examination and analysis of the effects of any deeds recorded prior to the date of the policy.

| File | Policy | OP Amount | MP Amount | Agent |
|-------------|---------------|------------------|------------------|--------------|
| M0804069 | 55152-19258 | \$65,000.00 | \$66,397.00 | LandChoice |

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.

Reference: §381.071.3, RSMo and 20 CSR 100-8.040(3)

In addition to the deeds evidencing the transaction closed by LandChoice Company for the current title, the following file contains a copy of the seller's deed of acquisition recorded 3/27/2003 and a copy of a deed of trust from the prior owner recorded 4/15/2005. The file contains no notes evidencing examination and analysis of the effects of any deeds recorded prior to 3/27/2003. The file contains no evidence that any chain of title was prepared or obtained in connection with any search or examination of title.

| File | Policy | OP Amount | MP Amount | Agent |
|-------------|---------------|------------------|------------------|--------------|
| N0807001 | 55153-10809 | \$166,500.00 | \$110,000.00 | LandChoice |

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.

Reference: §381.071.3, RSMo and 20 CSR 100-8.040(3)

Equity National Title & Closing Services issued United General policies in the following three files, but none of these files contain any evidence of recording of the deeds from the transactions closed by the agent and leading to the policies.

| File | Policy | OP Amount | MP Amount | Agent |
|-------------|---------------|------------------|------------------|-----------------|
| 10815400 | 55152-15543 | None | \$50,000.00 | Equity National |
| 10710030 | 55152-6198 | None | \$50,960.00 | Equity National |
| 1081231 | 55152-6204 | None | \$96,300.00 | Equity National |

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.

Reference: §381.071.3, RSMo and 20 CSR 100-8.040(3)

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, 2008, through December 31, 2008.

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.

| | |
|------------------|------------|
| Field Size: | 214 |
| Sample Size: | 53 |
| Type of Sample: | Systematic |
| Number of Errors | 18 |
| Error Ratio | 34% |

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 three of 53 files reviewed.

| Claim | File | Date Claim Received | Date Claim Ackn. | # of Days To Ackn. | Agency |
|-----------|------------|---------------------|------------------|--------------------|------------------------------|
| 4260M-UGT | 0500813 | 09/05/2008 | 10/10/2008 | 24 | South Central Missouri Title |
| 4238M-UGT | 06MO000474 | 07/14/2008 | 09/25/2008 | 52 | Nations Title Agency of Mo |
| 4088M-UGT | 06CR07528 | 04/24/2008 | 07/03/2008 | 51 | Creations Title |

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 nine of the 53 files reviewed.

| Claim | File | Date All Information Received | Date Accepted or Denied | Number of Days | Agency |
|--------------|---------------------------|--------------------------------------|--------------------------------|-----------------------|----------------------------------|
| 4034M-UGT | 63404067 | 7/31/2008 | None | NA | Nations Title Agency of Missouri |
| 408-1201-MO | UGT-220000021 G1780222 | 12/10/2008 | None | NA | Nations Title Agency of Missouri |
| 108-1053-MO | 63881984 | 3/11/2008 | 5/3/2008 | 44 | Nations Title Agency of Missouri |
| 108-0733-MO | 63403029 | 2/19/2008 | None | Na | Nations Title Agency of Missouri |
| 108-1206-MO | 35452550 | 4/18/2008 | None | Na | Nations Title Agency of Missouri |
| 108-0696-MO | 63403133 | 3/18/2008 | None | Na | Nations Title Agency |
| 108-0608 | 63958373 | 2/20/2008 | 4/30/08 | 50 | Lender's First Choice Agency |
| 408-1133-MO | UGT-2000002 H018FBM7 | 3/3/2009 | None | Na | ILS Title Agency |
| 408-0108 | UGT-22000002 H228A497 | 10/9/2008 | None | Na | ILS Title Agency |

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) (as amended 7/30/08)

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 on four of 53 files reviewed.

| Claim Number | File Number | Date Claim Received | Date of Last Correspondence | Date of 45 Day Letter | Number of Days | Agency |
|--------------|-------------|---------------------|-----------------------------|-----------------------|----------------|----------------------------------|
| 4200M-UGT | 360209B229 | 07/09/2008 | 07/17/2008 | 10/14/2008 | 59 | Lenders First Choice |
| 4216M-UGT | NMO1020220 | 09/15/2008 | 09/16/2008 | 03/24/2009 | 125 | Netco |
| 4159M-UGT | 04MO06820 | 08/13/2008 | 09/16/2008 | 03/27/2009 | 192 | Nations Title |
| 4369M-UGT | Unknown | 11/26/2008 | 12/8/2008 | 02/05/2009 | 59 | Trans Union Settlement Solutions |

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) (as amended 7/30/08)

In the following files the Company failed to complete its investigation within 30 days of receiving the claim all documentation required. This error occurred in two of the 53 claim files reviewed.

| Claim No. | Policy No. | Claim received | Date claim Accepted or denied | Agent |
|-------------|------------|----------------|-------------------------------|----------------------------------|
| 108-1206-MO | 35452550 | 3/19/2008 | No | Nations Title Agency of Missouri |
| 108-0696-MO | 6303133 | 2/17/08 | No | Nations Title Agency of Missouri |

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 100-1.050(4)

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.

The examiners noted the following exceptions during their review:

| | |
|------------------|------------|
| Field Size: | 214 |
| Sample Size: | 53 |
| Type of Sample: | Systematic |
| Number of Errors | 6 |
| Error Ratio | 11.3% |

In the following files, the Company failed to acknowledge coverage for unmarketable title. This occurred in processing two of 53 claims files reviewed by the examiners. Those files are 108-0999-MO and 4034MUGT

In each case, the Company offered to indemnify its insured and a future title insurer against risk of loss by reasons of the matter exposing the insured to loss but took no steps to cure the title or to otherwise resolve the issue.

The options available to the company for settlement of a claim are found at paragraph 6 of the condition and stipulations of the loan policy of title insurance under which the claims were made. Issuance of a letter of indemnification is not among those options.

Offering indemnification, in a circumstance in which it has been reasonably established that a loss has occurred, is misrepresenting to claimants and insured's relevant facts or policy provisions relating to coverage's at issue.

In claim file 108-0999-MO, the agent closed the transaction and recorded the deed of trust but omitted the legal description of the property. The agent later re-recorded the deed of trust adding a legal description. The method chosen by the agent for correction of the deed of trust may not have been effective.

The agent has not issued the loan policy agreed to be issued.

The Company wrote to the insured lender on 6/16/2008 outlining the claim issues and offering to insure a future purchaser acquiring title from the insured lender, provided the insured lender first acquired title by way of foreclosure of the insured deed of trust. The Company agreed to issue the policy "without exception to the legal description error and the fact that the borrowers did not re-execute the re-recorded Deed of Trust, contingent upon payment of the usual premium and approval of the foreclosure according to established underwriting guidelines." The Company then went on to say the insured should "Please be aware that UGTIC's agreement to insure-over the title issues is not to be interpreted as an agreement to insure against issues of marketability the same may raise."

The lender addressed by the Company's letter of 6/26/2008 is the Company's insured under the terms of an ALTA 1992 loan policy of title insurance. The ALTA 1992 loan policy of title insurance provides coverage for unmarketability of title. (Cf. coverage item 3 of insuring provisions in paragraph 1 of the policy.) The coverage of the ALTA

1992 loan policy of title insurance continues in force in favor of an insured who acquires the property by foreclosure of the lien insured. (Cf. section numbered 2, captioned Continuation of Insurance, of Conditions and Stipulations of the policy.)

| Claim | Policy | Agency |
|-------------|------------|----------------------------------|
| 108-0999-MO | Not issued | Nations Title Agency of Missouri |

Misrepresenting to claimants and insured relevant facts or policy provisions relating to coverages at issue constitutes an improper claims practice.

Reference: §375.1007(1), RSMo

In claim numbered 4034-UGT, the Company had received all information needed for a determination that title on the record was not marketable by 7/31/2008. Title was unmarketable because title had been conveyed to a land trust in 2005. That same land trust then conveyed on the record to the party who is the borrower in the insured deed of trust. Land trusts are not recognized as entities capable of holding title in Missouri.

A well informed purchaser proposing to acquire title under the terms of a contract requiring the delivery of marketable title would have cause to object to the state of this title.

The Company issued a letter of indemnity dated 8/27/2008 addressed to Continental Title Company in which the Company agreed to indemnify Continental Title Company against "any actual loss or damage" as a result of its issuing a commitment or policy in which Continental Title waives its requirement for judicial foreclosure of the deed of trust.

| Claim | Policy | Agency |
|----------|---------|----------------------------------|
| 4034MUGT | 6340467 | Nations Title Agency of Missouri |

Misrepresenting to claimants and insured relevant facts or policy provisions relating to coverage's at issue constitutes an improper claims practice.

Reference: §375.1007(1), RSMo

In the following file, the Company failed to adopt and implement reasonable standards for the prompt investigation and settlement of claims arising under its policy. This occurred in one of 53 claims files reviewed by the examiners.

Counsel for the insured asserted a claim based on a belief that title was encumbered by a judgment for child support dating from 1989 and a judgment in favor of the Metropolitan St. Louis Sewer District dating from July 2006 in the amount of \$1,770.66.

Counsel for the insured indicated its information was derived from a title commitment prepared by Landsafe Title. The referenced document is captioned "LandSafe Title – Foreclosure Title Search Report" and does not purport to be a commitment to insure.

On 9/23/2008, the Company wrote to counsel for the insured conditionally offering to insure a subsequent purchaser following a foreclosure at which the insured lender acquires the property.

The examiner sees no indication in this file of any investigation of the claim.

The judgment for child support dating from 1989 had been entered more than 15 years prior to the date of recording of the mortgage on 8/10/2006. The 1989 child support judgment had not been renewed by the time of the recording of the mortgage. There is no indication the child support judgment was against the borrower.

The judgment in favor of the Metropolitan St. Louis Sewer District was transcribed from a St. Louis County Associate Court on 7/12/2006. The Associate Court judgment was satisfied 12/11/2006 through a garnishment of wages and check of Daimler Chrysler, according to minutes posted 12/11/2006 in underlying associate court cause 2106AC-14020.

There is no evidence of any defect in or lien or encumbrance on the title. It was proper to deny the claim.

| Claim | Policy | Agency |
|--------------|---------------|------------------|
| 108-1413-CO | 64026850 | Zen Title Agency |

An insurer's failure to adopt and implement reasonable standards for the prompt investigation and settlement of claims arising under its policy constitutes an improper claims practice.

Reference: §375.1007(3), RSMo

In the following files, the Company failed to attempt in good faith to effectuate prompt, fair and equitable settlement of claims submitted in which liability has become reasonably clear. This occurred in processing three of 53 claims files reviewed by the examiners.

In claim file 1008-0696, the insured lender was preparing to foreclose and made a claim under the policy because the lender had discovered a judgment lien for an amount in excess of \$4,000.00 entered prior to the recording of the deed of trust.

The deed of trust is dated 12/15/2005 and was recorded 12/22/2005. Counsel for the insured refers to the judgment lien as "recorded 12/14/2005." The judgment became a lien on the defendant's real estate located within the City of St. Louis on 12/1/2005.

The Company wrote to Millsap & Singer, counsel representing the insured in foreclosure, on 4/30/2008 advising it would be "in a position to issue title policies on the property without exception or requirements" if the insured lender were to successfully complete the foreclosure and become the owner of the property. The Company also offered to indemnify another underwriter on the same matter in consideration of that underwriter issuing one or more policies insuring against loss or damage by reason of the judgment even if the judgment is not shown as an exception.

The Company has since closed its claim file.

If the judgment at issue is against the owner of the property, and the lender has foreclosed and received no funds for satisfaction of the senior judgment lien, and, in the absence of a policy provision avoiding coverage for the matter, the Company has not resolved the claim arising by reason of the unsatisfied senior judgment. Indemnification is not an option available to the lender under the terms of the policy in settling a claim.

| Claim No. | Policy No. | Agency |
|-------------|------------|----------------------------------|
| 108-0696-MO | 63403133 | Nations Title Agency of Missouri |

The Company has not attempted in good faith to effectuate prompt, fair and equitable settlement of claims submitted in which liability has become reasonable clear. Failure to do so is an improper claims practice.

Reference: §375.1007(4), RSMo, and 20 CSR 100-8.040.

In claim numbered 4034M-UGT, title was unmarketable on the record. A well informed purchaser, proposing to acquire title under the terms of a contract requiring the delivery of marketable title, would have cause to object to the state of this title.

The Company issued a letter of indemnity dated 8/27/2008 addressed to Continental Title Company in which the Company agreed to indemnify Continental Title Company against "any actual loss or damage" as a result of its issuing a commitment or policy in which Continental Title waives its requirement for judicial foreclosure of the deed of trust.

The options available to the Company for settlement of a claim are found at paragraph 6 of the Conditions and Stipulations of the loan policy of title insurance under which the claim was made. Issuance of a letter of indemnification is not among those options.

| Claim No. | Policy No. | Agency |
|-----------|------------|----------------------------------|
| 4034M-UGT | 63404067 | Nations Title Agency of Missouri |

The Company must attempt in good faith to effectuate prompt, fair and equitable settlement of claims submitted in which liability has become reasonably clear. Failure to do so is an improper claims practice.

Reference: §375.1007(4), RSMo

In file 108-0869-MO, the claim was received by the Company on 2/29/2008 and acknowledged by letter of 3/14/2008, the tenth business day after receipt of the claim. The Company also received notice of issues indicating loss under the policy by way of a fax from Continental REO Services, Inc., dated 3/28/2008, and by a letter received 4/8/2008 from Nations Title Agency, Inc.

Title was conveyed to "A" and "B" as husband and wife by deed recorded 3/2/2006. A deed of trust naming the grantor as "A," for the benefit of the insured, was recorded the same day. Provided that "A" and "B" were husband and wife at the time of the transaction, that they both survive to date, and that they have not since been divorced, the deed of trust in favor of the insured conveyed no interest in the real estate.

The deed of trust was foreclosed in a sale held 8/14/2007. There is no indication in this file of any basis for belief that the foreclosing lender acquired any interest in the title at foreclosure of the deed of trust.

The agent issued an ALTA 1992 loan policy of title insurance with a face amount of \$52,000.00 insuring the lender named in the deed of trust recorded 3/2/2006. The loan policy names the vestee in title as "A," an apparent inaccuracy.

The Company wrote to Continental REO Services on 6/9/2008 declaring that it would agree "to indemnify, defend, and hold harmless the insured lender" against loss arising by reason of execution of the deed of trust by ("A") only "in consideration that Continental Title Company as Agent for First American Title Insurance Company, or another title insurance Company shall issue one or more policies without exception or requirements to the matter described above. . . ."

The Company took no action to establish title in its insured or to otherwise settle the claim under the terms of the policy. The Company did not make a determination of insurability of title in accordance with sound underwriting practices.

| Claim No. | Policy No. | Agency |
|-------------|------------|----------------------------------|
| 108-0869-MO | 63401033 | Nations Title Agency of Missouri |

The Company must attempt in good faith to effectuate prompt, fair and equitable settlement of claims submitted in which liability has become reasonably clear. Failure to do so is an improper claims practice.

Reference: §375.1007(4), RSMo

The following errors are not included in the error ratio but were found in the review of claim files.

In the following files, the Company failed to maintain their files so as to show clearly the inception, handling, and disposition of each claim. This occurred in processing one of 53 claims files reviewed by the examiners.

The Company resolved the claim by negotiating settlement with a third party.

The Company failed to accept the claim by 3/12/2008, 15 working days after 2/20/2008, the date by which the Company had received all of the information needed to determine the extent and the nature of the claim.

On inquiry, the Company suggested that counsel had been engaged on 3/21/2008. There is no information in the file supplied suggesting counsel had been engaged on 3/21/2008. The Company provided a copy of an email dated 5/11/2009 from the law firm engaged by United General advising that the law firm had received an email 3/21/2008 transmitting a copy of a petition in litigation "and other file materials" for review.

The claim file as delivered to the examiners contains no indication that the Company had engaged counsel to review any matters in this claim at any time prior to 4/30/2008, no indication of the issues to be examined, and no indication of the results of that review.

| Claim | Policy | Agency |
|--------------|---------------|------------------------------|
| 108-0608-MO | RS63958373 | Lender's First Choice Agency |

The claim file shall be maintained so as to show clearly the inception, handling, and disposition of each claim. The claim file shall be sufficiently clear and specific so that pertinent events and dates of these events can be reconstructed.

Reference: 20 CSR 100-8.040(3)(B)

In the following files, the insurer failed to establish a known claim reserve for losses discovered by the insurer or for which the insurer received notice. This error was found in four files of the 53 files reviewed.

Claim numbered 4047M-UGT was reported to the Company on 6/3/2008 and promptly acknowledged.

The Company had determined no later than 6/30/2008 that the claim could be resolved by obtaining release of a recorded deed of trust, and that a recording charge would likely be incurred. The Company did not establish any reserve for payment of the expense at that time.

The Company received the deed of release on or about 8/7/2008 and established a reserve for the expense at that time but encountered administrative confusion and delay in obtaining the check for recording. The check was issued with a date of 9/12/2008, the deed of release was sent for recording on 9/17/2008, and the release was recorded on 9/23/2008. Failure to properly reserve for this minor expense when combined with an internal difficulty in processing the payment delayed settlement of this matter by more than 1½ months.

| Claim | Policy | Agency |
|-----------|----------|----------------------------------|
| 4047M-UGT | 63789450 | Nations Title Agency of Missouri |

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: §381.072.1(1)(a) and (b), RSMo (Supp. 2008)

In claim file 4034M-UGT, the Company determined no later than 7/31/2008 that title had been conveyed to the borrower in the insured deed of trust by a deed from a land trust, an entity not capable of holding or conveying title in Missouri. It was reasonably clear that some expense would be incurred in resolving the claim, but the Company did not and still has made no reserves for the known loss.

| Claim | Policy | Agency |
|-----------|----------|----------------------------------|
| 4034M-UGT | 63404067 | Nations Title Agency of Missouri |

Reference: §381.072.1(1)(a) and (b), RSMo (Supp. 2008)

In processing the claim in file 3888M-UGT on 6/2/2008, the Company agreed to pay the law firm representing the insured the costs of litigation seeking to reform the insured deed of trust, for the purpose of correcting a faulty legal description. The Company accepted the law firm's estimate of costs to litigate at \$3,000.00. The Company created reserves for expenses in the amount of \$1,500.00 on 8/31/2008.

The Company did not establish any reserves for the claim for almost three months after agreeing to a specific estimate of costs.

| Claim | Policy | Agency |
|-----------|----------|----------------------------------|
| 3888M-UGT | 63005204 | Nations Title Agency of Missouri |

The reserves later established for the claim were less than 50 percent of the amount specified in the estimate accepted by the Company.

Reference: §381.072.1(1)(a) and (b), RSMo (Supp. 2008)

In Claim File 108-0608-MO, the Company received all of the information needed to determine the extent and the nature of the claim by 2/20/2008, the date of an email from counsel for the insured. The Company was aware by that date that it had received notice of a claim likely to result in loss or expense but made no reserves for losses until 8/31/2008, more than six months later, and the initial reserves were for related expenses only.

By 4/30/2008, the Company had engaged counsel to represent the insured. The Company had begun to negotiate with an adverse claimant for settlement of the matter no later than 11/6/2008. The Company initially hoped to settle at a cost of \$30,000.00 to \$35,000.00, and did settle some time during the week ending 2/28/2009 at \$40,000.00.

The Company knew the nature and extent of the claim on 2/20/2008. The Company had estimated the cost of settling the claim no later than 11/6/2008. The Company made no reserve for settlement of the claim (earlier reserves had been for expenses only) until a posting to reserves of \$40,000.00 on 2/28/2009, considerably after the date it had estimated the cost of settlement. The reserve was not made until the last day of the week that a settlement was actually reached and the reserve was made in the exact amount of the settlement. The reserve was not based on any estimate.

After receiving notice of a claim likely to result in loss or expense, the Company failed to carefully estimate and reserve for those losses and expenses.

| Claim | Policy | Agency |
|--------------|---------------|------------------------------|
| 108-0608-MO | RS 63958373 | Lender's First Choice Agency |

Reference: §381.072.1(1)(a) and (b), RSMo (Supp. 2008)

In the following file, the insurer who believed a fraudulent claim was made failed to report that fraud to the DIFP within 60 days. This occurred in one file reviewed by the examiners.

The borrower had no apparent ownership interest in the real estate at the time of the loan or later.

The borrower applied to the insured lender for a home equity line of credit on 11/2/2007. The lender, apparently acting on its own, checked with an online service called NETRonline (<http://www.netronline.com/>) and found record title in the name of "A". Bank underwriting notes of 11/14/2007 read: "WE NEED THE FOLLOWING—COPY OF THE DEED OR HUD-1 TO VERIFY HOME OWNERSHIP." Bank underwriting notes of 11/19/2007 read: "REC'D HUD-1 SENT TO NBK5SAL."

The bank sent a copy of the HUD-1 settlement statement to United General on 10/9/2008 for use in processing the claim. That HUD-1 settlement statement identifies the settlement agent as "123," LLC (a former title agency whose license has expired), names the seller as "A" and purports to be signed by "A" as seller, names the buyer as "B" and purports to be signed by "B" as buyer, shows a sales price in excess of \$200,000.00, shows satisfaction of a substantial mortgage held by Washington Mutual, appears to be signed by "C" as settlement agent, and is dated 11/1/2007.

The settlement statement indicates that a title insurance premium for an owner's policy in an amount in excess of \$200,000.00 was collected on behalf of "ABC" Title Insurance Company.

"C," the person who signed the HUD-1 as settlement agent, is licensed by the Missouri DIFP as a title insurance agent.

United General issued its Declaration Certificate dated 11/26/2007 insuring the lender under the terms of the "Master Loan Policy For Residential Home Equity Mortgages," a policy form filed by United General with the DIFP, marked received by the Department on 3/26/2004, and stamped "filed" by the Department on 3/30/2004.

The file does not indicate that the insured lender requested a commitment to insure from any title agency. The file does not indicate that United General or its agent prepared or sent any commitment to issue any policy of title insurance, or that United General or its agent performed a search of title in preparation for insuring the mortgage, or that United General or its agent made any decision to insure title in accordance with sound underwriting practices.

The United General agency for this file was ILS Title Agency, LLC, which filed a change of name to Fiserv Fulfillment Agency, LLC with the Missouri Secretary of State on 3/6/2008. The insured lender delivered the deed of trust to the Company's agent for recording. A memorandum dated 7/22/2008 from an employee of Fiserv Lending Solutions to Ryan Scott of United General contains the following statement:

Prior to recording FLS conducted an ownership verification report and discovered title is vested in the name of "A" and not "B." "B" never owned the property.

Resolution attempts were made with the borrower to verify ownership but he did not cooperate and the mortgage was finally deemed un-recordable on 5/14/08.

The lender loaned "B" \$203,400.00 and fully funded the loan on 11/30/2007. The bank's record of the account indicates that no payments have ever been made on the loan.

This matter may be covered under the terms of the policy by way of the provision for coverage in the event that the mortgagor is not the named vestee in the last recorded vesting document.

A file note of 10/9/2008 by an employee of United General indicates a belief that fraud was likely in this transaction. If fraud was a factor in this transaction, there appears a distinct possibility that a title agency and one or more title agents representing another title insurance company were involved.

| Claim | Policy | Agency |
|--------------|--------------------------|------------------|
| 408-0108-MO | UGT-22000002 H338A497 | ILS Title Agency |

Any company which believes that a fraudulent claim is being made shall, within 60 days of the receipt of such notice, send to the DIFP the information, relative to the claim.

Reference: §375.991 and 375.992, RSMo

In the following file the Company charged a fee for which no service was performed. This occurred in one claim file reviewed by the examiners.

The Company notified the claimant's representative the agent paid off the loan and the Company notified the agent to obtain a deed or release on 3/2/2009. The Company e-mailed the agent requesting status of the deed of release. Although the agent charged \$60.00 for recording the deed of release, there is no evidence in the file that the deed of release was recorded.

| File | Policy | Fee | Agency |
|-------------|------------|---------|------------|
| NMO-1023195 | 55152-4131 | \$60.00 | Netco, Inc |

The Company may not charge a fee for which no service was performed.

Reference: RESPA 24 CFR §3500.14(c)

C. Underwriting Issues Identified in the Claims Review

The examiners also found underwriting errors in the review of the claims.

The examiners discovered the following underwriting errors in claim files. In many cases these underwriting errors led to the claim.

In claim file 408-0108-MO, the borrower had no apparent ownership interest in the real estate at the time of the loan or later.

The borrower applied to the insured lender for a home equity line of credit on 11/2/2007. The lender, apparently acting on its own checked with an online service called NETRonline (<http://www.netronline.com/>) and found record title in the name of "A". Bank underwriting notes of 11/14/2007 read: "WE NEED THE FOLLOWING—COPY OF THE DEED OR HUD-1 TO VERIFY HOME OWNERSHIP." Bank underwriting notes of 11/19/2007 read: "REC'D HUD-1 SENT TO NBK5SAL."

The bank sent a copy of the HUD-1 settlement statement to United General on 10/9/2008 for use in processing the claim. That HUD-1 settlement statement identifies the settlement agent as "123," LLC (a former title agency whose license has expired), names the seller as "A" and purports to be signed by "A" as seller, names the buyer as "B" and purports to be signed by "B" as buyer, shows a sales price in excess of \$200,000.00, shows satisfaction of a substantial mortgage held by Washington Mutual, appears to be signed by "C" as settlement agent, and is dated 11/1/2007.

The settlement statement indicates that a title insurance premium for an owner's policy in an amount in excess of \$200,000.00 was collected on behalf of "ABC" Title Insurance Company.

"C," the person who signed the HUD-1 as settlement agent, is licensed by the Missouri DIFP as a title insurance agent.

United General issued its Declaration Certificate dated 11/26/2007 insuring the lender under the terms of the "Master Loan Policy For Residential Home Equity Mortgages," a policy form filed by United General with the DIFP, marked received by the Department on 3/26/2004, and stamped "filed" by the Department on 3/30/2004.

The file does not indicate that the insured lender requested a commitment to insure from any title agency. The file does not indicate that United General or its agent prepared or sent any commitment to issue any policy of title insurance, or that United General or its agent performed a search of title in preparation for insuring the mortgage, or that United General or its agent made any decision to insure title in accordance with sound underwriting practices (or at all).

The United General agency for this file was ILS Title Agency, LLC, which filed a change of name to Fiserv Fulfillment Agency, LLC with the Missouri Secretary of State on 3/6/2008. The insured lender delivered the deed of trust to the Company's agent for recording. A memorandum dated 7/22/2008 from an employee of Fiserv Lending Solutions to Ryan Scott of United General contains the following statement:

Prior to recording FLS conducted an ownership verification report and discovered title is vested in the name of "A" and not "B." "B" never owned the property.

Resolution attempts were made with the borrower to verify ownership but he did not cooperate and the mortgage was finally deemed unrecordable on 5/14/08.

The lender loaned "B" \$203,400.00 and fully funded the loan on 11/30/2007. The bank's record of the account indicates that no payments have ever been made on the loan.

The Company acting through its agent provided coverage to the lender under the terms of the Master Loan Policy of United General Title Insurance Company without first causing a search of title to be prepared from a qualified title plant of the county where the property is located and without making a determination of insurability of title in accordance with sound underwriting practices.

| Claim | Policy | Agency |
|--------------|------------------------|------------------|
| 408-0108-MO | UGT-22000002, H338A497 | ILS Title Agency |

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

Reference: §381.071.1(1) and (2), RSMo

Claim 108-0869-MO was received by the Company on 2/29/2008 and acknowledged by letter of 3/14/2008, the tenth business day after receipt of the claim. The Company also received notice of issues indicating loss under the policy by way of a fax from Continental REO Services, Inc. dated 3/28/2008, and by a letter received 4/8/2008 from Nations Title Agency, Inc.

Title was conveyed to "A" and "B" as husband and wife by deed recorded 3/2/2006. A deed of trust naming the grantor as "A," for the benefit of the insured, was recorded the same day. Provided that "A" and "B" were husband and wife at the time of the transaction, that they both survive to date, and that they have not since been divorced, the deed of trust in favor of the insured conveyed no interest in the real estate.

The deed of trust was foreclosed in a sale held 8/14/2007. There is no indication in this file of any basis for belief that the foreclosing lender acquired any interest in the title at foreclosure of the deed of trust.

The agent issued an ALTA 1992 loan policy of title insurance with a face amount of \$52,000.00 insuring the lender named in the deed of trust recorded 3/2/2006. The loan policy names the vestee in title as "A," an apparent inaccuracy.

The Company wrote to Continental REO Services on 6/9/2008 declaring that it would agree "to indemnify, defend, and hold harmless the insured lender" against loss arising by reason of execution of the deed of trust by ("A") only "in consideration that Continental Title Company as Agent for First American Title Insurance Company, or another title insurance Company shall issue one or more policies without exception or requirements to the matter described above. . ."

| Claim | Policy | Agency |
|-------------|----------|----------------------------------|
| 108-0869-MO | 63401033 | Nations Title Agency of Missouri |

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 title which is to be insured.

Reference: §381.071.2, RSMo

In claim 108-0696-MO, the insured lender was preparing to foreclose and made a claim under the policy because the lender had discovered a judgment lien for an amount in excess of \$4,000.00 entered prior to the recording of the deed of trust.

The deed of trust is dated 12/15/2005 and was recorded 12/22/2005. Counsel for the insured refers to the judgment lien as recorded 12/14/2005. The judgment became a lien on the defendant's real estate located within the City of St. Louis on 12/1/2005.

The Company wrote to Millsap and Singer, counsel representing the insured in foreclosure on 4/30/2008 advising it would be "in a position to issue title policies on the property without exception or requirements" for the judgment lien if the insured lender were to successfully complete the foreclosure and become the owner of the property. The Company also offered to indemnify another underwriter on the same matter in consideration of that underwriter issuing one or more policies insuring against loss or damage by reason of the judgment lien if the judgment is not shown as an exception.

The Company has since closed its claim file.

The Company has suggested or instructed that an insurer or agency knowingly issue a title insurance policy or commitment without showing certain matters affecting the title.

| Claim | Policy | Agency |
|-------------|----------|----------------------------------|
| 108-0696-MO | 63403133 | Nations Title Agency of Missouri |

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 title which is to be insured.

Reference: §381.071.2, RSMo

IV. COMPLAINTS

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

Section 375.936(3), RSMo, requires companies to maintain a registry of all written complaints received for the last three years. The registry must include all Missouri complaints, including those sent to the DIFP and those sent directly to the Company.

The examiners verified the Company's complaint registry, dated January 1, 2004, through April 22, 2009. The registry contained a total of one complaint. They reviewed the complaint that went through DIFP. No complaints went directly to the Company.

The review consisted of a review of the nature of each complaint, the disposition of the complaint, and the time taken to process the complaint as required by §375.936(3), RSMo, and 20 CSR 300-2.200(3)(D) (as replaced by 20 CSR 100-8.040, eff. 7/30/08).

The examiners discovered no issues or concerns.

V. 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

| <u>Calendar Days</u> | <u>Number of Criticisms</u> | <u>Percentage</u> |
|--|-----------------------------|-------------------|
| Received w/in time-limit, incl. any extensions | 35 | 41% |
| Received outside time-limit, incl. any extensions | 7 | 8% |
| <u>No Response</u> | <u>44</u> | <u>51 %</u> |
| Total | 86 | 100 % |

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

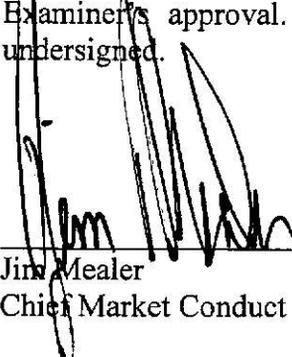
B. Formal Request Time Study

| <u>Calendar Days</u> | <u>Number of Requests</u> | <u>Percentage</u> |
|--|---------------------------|-------------------|
| Received w/in time-limit, incl. any extensions | 14 | 52% |
| Received outside time-limit, incl. any extensions | 7 | 26 % |
| <u>No Response</u> | <u>6</u> | <u>22 %</u> |
| Total | 27 | 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 United General Title Insurance Company (NAIC #51624), Examination Number 0811-21-TGT. This examination was conducted by Martha B. Long, Joseph K. Ott, and Ted Greenhouse. The findings in the Final Report were extracted from the Market Conduct Examiner's Draft Report, dated December 3, 2009. 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.



Jim Mealer
Chief Market Conduct Examiner

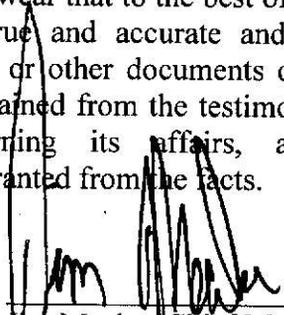
10/5/2011

Date

STATE OF State Missouri
COUNTY OF Cole)

VERIFICATION OF WRITTEN REPORT OF EXAMINATION

I, Jim Mealer on my oath swear that to the best of my knowledge and belief, the attached Examination Report is true and accurate and is comprised of only facts appearing upon the books, records, or other documents of the Company, its agents or other persons examined or as ascertained from the testimony of its officers or agents or other persons examined concerning its affairs, and such conclusions and recommendations as reasonably warranted from the facts.



Jim Mealer, Chief Market Conduct Examiner
Department of Insurance, Financial Institutions &
Professional Registration,
State of Missouri

Sworn to and subscribed before me this 16th day of October, 2011.

Kimberly Landers
Notary

My commission expires: May 18, 2012

