

**IN THE DEPARTMENT OF COMMERCE AND INSURANCE
STATE OF MISSOURI**

<i>In Re:</i>)	
)	
STEWART TITLE GUARANTY COMPANY (NAIC #50121))	Market Conduct Examination No. 1503-107-TGT NAIC MATS NO. MO-HICKSS1-M53
)	
STEWART TITLE GUARANTY COMPANY (NAIC #50121))	Market Conduct Investigation No. 291682

ORDER OF THE DIRECTOR

NOW, on this 29th day of April, 2020, Director, Chlora Lindley-Myers, after consideration and review of the market conduct examination report of Stewart Title Guaranty Company (NAIC #50121) (hereinafter "Stewart Title"), examination report number 1503-107-TGT, prepared and submitted by the Division of Insurance Market Regulation (hereinafter "Division") pursuant to §374.205.3(3)(a)¹, does hereby adopt such report as filed. After consideration and review of the Stipulation of Settlement and Voluntary Forfeiture ("Stipulation"), relating to the market conduct examination and investigation set out in the caption above, the examination report, relevant work papers, and any written submissions or rebuttals, the findings and conclusions of such report are deemed to be the Director's findings and conclusions accompanying this order pursuant to §374.205.3(4). Director does hereby issue the following orders:

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

IT IS THEREFORE ORDERED that Stewart Title and the Division having agreed to the Stipulation, the Director does hereby approve and agree to the Stipulation.

IT IS FURTHER ORDERED that Stewart Title shall not engage in any of the violations of law and regulations set forth in the Stipulation, shall implement procedures to place it 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, and shall fully comply with all terms of the Stipulation.

IT IS FURTHER ORDERED that Stewart Title shall pay, and the Department of

¹ All references, unless otherwise noted, are to Missouri Revised Statutes 2016 as amended.

Commerce and Insurance, State of Missouri, shall accept, the Voluntary Forfeiture of \$301,600 payable to the Missouri State School Fund in connection with the examination and investigation.

IT IS FURTHER ORDERED that the payment of \$201,600 of the above amount is suspended subject to the terms of the Stipulation.

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 29th day of April, 2020.



Chlora Lindley-Myers

Chlora Lindley-Myers
Director

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STIPULATION OF SETTLEMENT AND VOLUNTARY FORFEITURE

It is hereby stipulated and agreed by the Division of Insurance Market Regulation (hereinafter "the Division") and Stewart Title Guaranty Company (NAIC #50121) (hereinafter "Stewart"), as follows:

WHEREAS, the Division is a unit of the Missouri Department of Commerce and Insurance (hereinafter "the Department"), an agency of the State of Missouri, created and established for administering and enforcing all laws in relation to insurance companies doing business in the State of Missouri;

WHEREAS, Stewart has been granted a certificate of authority to transact the business of insurance in the State of Missouri;

WHEREAS, the Division conducted a market conduct examination of Stewart, examination #1503-107-TGT;

WHEREAS, the Division prepared a Final Market Conduct Examination Report (hereinafter, "Report").

WHEREAS, based on the market conduct examination of Stewart, the Division alleges that:

1. Stewart or its agents failed to preserve or maintain adequate documentation in their

files in a manner that would allow the examiners to readily ascertain the Company's underwriting practices consistent with §374.205.2(2)¹, §381.071.3, 20 CSR 100-8.040(2), and 20 CSR 100-8.040(3)(A).

2. Stewart failed to maintain adequate documentation in the form of dates premium was remitted to the Company and policy issuance dates that would allow the examiners to determine if a policy was issued within 45 days in violation of §381.038.3 and 20 CSR 100-8.040(2).

3. Stewart did not file an Affiliated Business Arrangement Report (Form T-5B) with the Department for the years 2011-2014 and submitted the filings in 2015 and 2016 only after discussions with the Department in violation of §381.029.4.

4. Stewart, in 13 instances, failed to provide notice of termination or timely notice of termination of an agency contract in violation of §381.018.5.

5. Stewart had terminated its agency agreement with five entities, but failed to maintain adequate documentation that would allow the examiners to determine whether the policies issued by the five entities were counter-signed by a Stewart agent at the time the policy was issued in violation of 20 CSR 100-8.040.

6. Stewart sold numerous policies to consumers through agencies that were not licensed at the time of the transaction, materially aiding in the violation of §381.115.2.

7. In several instances, Stewart, through its agents, used risk rates and charged fees that were either incorrect or were not the actual risk rate previously filed with the Department by the Company in violation of §381.019 and §381.181.

8. The use of a specific disclosure of charges for residential title insurance policies

¹ All references, unless otherwise noted, are to Missouri Revised Statutes 2016, as amended.

and services by Stewart's wholly owned affiliate agency is deceptive and misleading in violation of §375.936(4) and §375.934.

9. Stewart, in numerous instances, included exceptions in policies that were generic in form, not specific to the property or the transaction, and not filed with the Department in violation of §381.085, §381.071.1(2), and §381.071.2.

10. Stewart's addendum to filed form U-9475 failed to contain any general exceptions in violation of §381.085 and §381.071.2.

11. In three instances, Stewart's title agents failed to timely present security instrument(s) for recording within five business days after the closing of the transaction in violation §381.026.1.

12. In 42 instances, Stewart and/or its agents were late in issuing/delivering policies to insureds in violation of §381.038.3.

13. In three instances, Stewart failed to timely respond to criticisms and formal requests of the examiners thereby violating §374.205.2(2), and 20 CSR 100-8.040(6).

WHEREAS, the Division conducted a market conduct investigation of Stewart Title, investigation #291682; and

WHEREAS, based on the market conduct investigation of Stewart Title, the Division alleges that:

1. In 17 instances, Stewart failed to obtain from the title insurance agency and/or agent an annual statement of financial condition in violation of §381.023.2(2) and 20 CSR 500-7.080(2)(D).

2. In nine instances, Stewart filed incomplete T6 reports in violation of §381.023.2(1) and 20 CSR 500-7.080(2)(J).

3. Stewart's calculation of the average length of time between closing and the issuance of the title policy is inconsistent among audits in violation of §381.023.2(11).

4. In nine instances, Stewart terminated an agency relationship but failed to report the termination and the reasons for the termination to the Director within seven days in violation of §381.018.5.

5. In 32 instances, Stewart failed to timely provide copies of 2011 on-site audit reports to the Director within 120 days in violation of §381.023.1, §381.023.4, and 20 CSR 500-7.080.

6. In six instances, Stewart failed to timely provide copies of 2012 on-site audit reports to the Director within 120 days in violation of §381.023.1, §381.023.4, and 20 CSR 500-7.080.

7. In four instances, Stewart failed to timely provide copies of 2013 on-site audit reports to the Director within 120 days in violation of §381.023.1, §381.023.4, and 20 CSR 500-7.080.

8. In three instances, Stewart failed to timely provide copies of 2014 on-site audit reports to the Director within 120 days in violation of §381.023.1, §381.023.4, and 20 CSR 500-7.080.

9. In three instances, Stewart failed to timely provide copies of 2015 on-site audit reports to the Director within 120 days in violation of §381.023.1, §381.023.4, and 20 CSR 500-7.080.

10. In seven instances, Stewart failed to timely provide copies of 2016 on-site audit reports to the Director within 120 days in violation of §381.023.1, §381.023.4, and 20 CSR 500-7.080.

11. In 55 instances, Stewart performed on-site audits of its agents for 2017 but failed to provide copies of those audit reports to the Director within 120 days in violation of §381.023.4

and 20 CSR 500-7.080.

WHEREAS, the Division and Stewart have agreed to resolve the issues raised in the market conduct examination and the market conduct investigation as follows:

A. **Scope of Agreement.** This Stipulation of Settlement and Voluntary Forfeiture (hereinafter “Stipulation”) embodies the entire agreement and understanding of the signatories with respect to the subject matter contained herein. The signatories hereby declare and represent that no promise, inducement or agreement not herein expressed has been made, and acknowledge that the terms and conditions of this agreement are contractual and not a mere recital.

B. **Remedial Action.** Stewart agrees to take remedial action bringing it into compliance with the statutes and regulations of Missouri and agrees to maintain such remedial actions at all times, to reasonably ensure that the errors noted in the market conduct examination and market conduct investigation do not recur. Such remedial actions shall take effect 90 days from the date of the Director’s Order approving this Stipulation, and will consist of the following:

1. Stewart agrees to maintain its own underwriting records on direct issue transactions in accordance with Missouri law. Stewart agrees to send a bulletin to agents reminding them to maintain underwriting records in accordance with Missouri law and to make those records available to the Department during future examinations or investigations.

2. For a period of three years from the date of the Order approving this Stipulation, Stewart agrees to remind agents or agencies of the record retention requirements contained in §381.015.2, §381.038.2, §381.071.3, and 20 CSR 500-7.200 (3) during the annual T-6 audit. Stewart further agrees to report any areas of non-compliance with these statutory or regulatory requirements on the T-6 form if identified during the audit from the files sampled.

3. Stewart agrees to maintain a copy of invoices, and to date stamp or otherwise record

the date premiums are received from the agent.

4. Stewart agrees that when reviewing policy issuance as part of its annual on-site review required by §381.023, Stewart will verify, to the extent ascertainable from the agent's records, that the policy issued is actually provided to the insured within the prescribed timeframe pursuant to §381.038.3. Stewart shall include this verification with each T-6 audit performed commencing on the date a final Order is entered. This verification may be made as a note or as an attachment to the form.

5. Stewart agrees to implement a process for calculating the average length of time between closing and the issuance of the title policy to ensure (1) consistency in audits; and (2) policies are being issued within forty-five days pursuant to §381.038.3.

6. Stewart agrees to timely issue/deliver policies to its insured within 45 days on direct issue policies as required by §381.038.3 and agrees to maintain the documentation required by 20 CSR 500-7.090 (to include a copy of the policy and correspondence to the insured with the issuing policy). With respect to agent issued policies, Stewart further agrees to send a bulletin to agents reminding them to timely issue/deliver policies to its insured within 45 days as required by §381.038.3 and to maintain the documentation required by 20 CSR 500-7.090 (to include a copy of correspondence to the insured with the issuing policy). For a period of three years from the date of the Order approving this Stipulation, Stewart further agrees that as part of its annual T-6 review, it will note, from the files sampled, those instances where policies were not issued within 45 days as required by §381.038.3.

7. In the event Stewart is notified that a policyholder, whose policy was either never issued/delivered or issued by an agent or agency that is no longer in business, requests a copy of their Stewart title insurance policy, Stewart agrees to continue to provide the policyholder with a

copy of the policy at no charge.

8. Stewart agrees to direct its agents to issue refunds to those consumers, listed on pages 13-14 of the final report, who were overcharged as a result of using the incorrect risk rate. In the event Stewart directs its agent(s) to issue refunds and the agent(s) refuse(s) or don't issue the refunds, then Stewart agrees to issue the refunds. Stewart further agrees to provide documentation to the Division with proof of said payment. 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. Stewart further agrees to conduct additional educational training for its agents on how to calculate rate appropriately in Missouri.

9. For a period of three years from the date of the Order approving this Stipulation, Stewart agrees to review and re-rate, as part of its annual on-site audit, a minimum of 20 files (if an agent does not have 20 files during the time period, Stewart will review all files the agent has) to determine if the appropriate risk rate was used. If during the review of those files it is found that five or more files resulted in an overcharge to the consumer, Stewart will then review 5% of all files for the preceding 12 months. Stewart further agrees to note on the T-6 report the number of files found in error. Stewart further agrees to issue refunds to those consumers who were overcharged as a result of using the incorrect risk rate.

10. Stewart agrees to timely file Affiliated Business Arrangement Reports (Form T-5B) with the Department on a going forward basis.

11. If Stewart terminates its contract with a title agency by either terminating the full contract or amending the contract to remove Missouri as an authorized territory, Stewart agrees within seven (7) days of the termination, to notify the Director of the reasons for termination pursuant to §381.018.5.

12. Stewart will maintain records adequate to determine whether an agent or agency is licensed during the time it has a contract agreement with Stewart. Stewart further agrees that it will not permit the solicitation or negotiation of its title insurance policies by unlicensed agents or agencies.

13. Stewart agrees to issue a bulletin to its agents and agencies advising them that, in the event that after a title commitment is issued but before the policy is issued, the agency ceases its contractual relationship with Stewart, the agency may issue a new title commitment and policy utilizing a different underwriter or Stewart will directly issue the policy.

14. Stewart agrees to provide training to its agents and agencies on the use of rate cards to make sure that the rate cards used correctly disclose the risk rate and service fees for the respective types of title insurance contracts. Stewart should also advise its agents and agencies that all service fees charged or included as fees on a rate card should accurately reflect the services performed.

15. Stewart agrees to file with the Department all general exceptions (also referred to as "standard exceptions" in Stewart policies) that are delineated in the policy in a general manner by reference to general categories and which are not specific to the policy at issue (the specifics being such that they would be ascertained through a search and examination of the records and specifically referenced by book, page, document number in the policy).

16. Stewart agrees that all amounts charged for title insurance shall be the same as those filed with the Department. Stewart agrees that it will provide for disclosure to consumers of the charges for title insurance. Stewart further agrees to issue a bulletin to its agents and agencies advising them that, if the amount of title insurance is different than the risk rate filed with the Department it must disclose to the consumer what portion of the total comprises premium and

what portion is for charges or fees for title-related services.

17. Stewart agrees to issue a bulletin to its agents and agencies reminding them to present for recording all deeds and security instruments for real estate closings handled by it within five business days after completion of all conditions precedent in accordance with §381.026.1.

18. Stewart agrees to obtain from its title insurance agent or title insurance agency a certified annual statement of financial condition pursuant to §381.023.2(2) and document its receipt of the annual statement in its on-site review report. Stewart agrees to maintain all documentation with regard to its request for the annual statement and the receipt of the annual statement, if so provided.

19. Stewart agrees that if it outsources any portion of its annual on-site audit review of its title agency or agent with which it has a contract, Stewart will file a T-6 audit report within 120 days of the completion of the audit.² Each T-6 report shall include (1) what portion was outsourced; (2) who performed the audit; (3) note any issues found during the audit; (4) date of the review; and (5) the date the review was completed.

20. Stewart agrees to remind agents and/or agencies of their independent obligations that all deposits are to clear the bank within two business days after receipt in accordance with §381.022.2.

21. Stewart agrees to conduct on-site reviews of the underwriting, claims, and escrow practices of the title agencies or agents with which it has contracts at least annually and to provide complete copies of reports deriving from these reviews to the Director within 120 days of the completion of the review pursuant to §381.023 and 20 CSR 500-7.080.

C. Compliance. Stewart agrees to file documentation with the Division, in a format

² Stewart may have to file more than one T-6 report to meet the 120 day timeframe depending on when the audit is performed by the outsourced company compared to when Stewart performs the other portions of the review.

acceptable to the Division, within 180 days of the entry of a final order of any remedial action taken pursuant to Paragraph B to implement compliance with the terms of this Stipulation and to document the payment of any restitution required by this Stipulation. Such documentation is provided pursuant to §374.190 and §374.205.

D. **Fees.** Stewart agrees to pay any reasonable examination or investigation fees expended by the Division in conducting its review of the documentation provided by Stewart pursuant to Paragraphs B and C of this Stipulation.

E. **Voluntary Forfeiture.** Stewart agrees, voluntarily and knowingly, to surrender and forfeit the sum of \$301,600 such sum payable to the Missouri State School Fund, in accordance with §374.049.11 and §374.280.2.

F. **Partial Suspension of Voluntary Forfeiture.** With respect to the Voluntary Forfeiture set out in Section E., Stewart and the Division agree as follows:

1. Payment of \$100,000 is due at the time Stewart enters into this Stipulation.
2. Payment of \$201,600 is suspended subject to Stewart substantially complying with the terms of this Stipulation for a period of three years from the date of the Order of the Director approving this Stipulation.

3. The determination of whether Stewart has substantially complied with the terms of the Stipulation shall be in the sole discretion of the Director.

4. In the event that the Director determines that Stewart has not substantially complied with the terms of this Stipulation during the three year period referenced in Section F. 2., the Director may order Stewart to pay all or part of the suspended forfeiture amount.

G. **Other Penalties.** The Division agrees that it will not seek penalties against Stewart, other than those agreed to in this Stipulation, in connection with the above-referenced market

conduct examination and market conduct investigation.

H. **Non-Admission.** Nothing in this Stipulation shall be construed as an admission by Stewart, this Stipulation being part of a compromise settlement to resolve disputed factual and legal allegations arising out of the above-referenced market conduct examination and market conduct investigation.

I. **Waivers.** Stewart, 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, and review or appeal by any trial or appellate court, which may have otherwise applied to the above-referenced market conduct examination and market conduct investigation.

J. **Changes.** No changes to this Stipulation shall be effective unless made in writing and agreed to by representatives of the Division and Stewart.

K. **Governing Law.** This Stipulation shall be governed and construed in accordance with the laws of the State of Missouri.

L. **Authority.** The signatories below represent, acknowledge and warrant that they are authorized to sign this Stipulation, on behalf of the Division and Stewart respectively.

M. **Counterparts.** This Stipulation may be executed in multiple counterparts, each of which shall be deemed an original and all of which taken together shall constitute a single document. Execution and delivery of this Stipulation by facsimile or by an electronically transmitted signature shall be fully and legally effective and binding.

N. **Effect of Stipulation.** This Stipulation shall become effective only upon entry of a Final Order by the Director approving this Stipulation.

O. **Request for an Order.** The signatories below request that the Director issue an

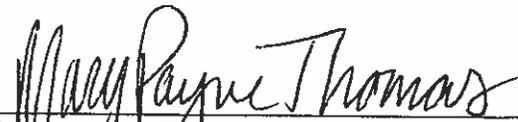
Order approving this Stipulation, and ordering the relief agreed to in the Stipulation, and consent to the issuance of such Order.

DATED: 4/3/20



Stewart Freilich
Chief Market Conduct Examiner and
Senior Counsel
Division of Insurance Market Regulation

DATED: 03/18/2020



Mary Payne Thomas
Chief Regulatory Counsel
Stewart Title Guaranty Company

STATE OF MISSOURI
DEPARTMENT OF COMMERCE AND INSURANCE



FINAL MARKET CONDUCT EXAMINATION REPORT
Title Insurance Business of

Stewart Title Guaranty Company
NAIC #50121

MISSOURI EXAMINATION #1503-107-TGT

NAIC EXAM TRACKING SYSTEM #MOHICKSS1-M53

April 3, 2020

Home Office
1360 Post Oak Blvd., Suite 100
Houston, Texas 77056

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FOREWORD

This is a targeted market conduct examination report of Stewart Title Guaranty Company, NAIC #50121. This examination was conducted at the offices of the Missouri Department of Commerce and Insurance (DCI) located in Jefferson City, Missouri and onsite at some title agency locations.

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 DCI.

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

Where used in this report:

- “Company,” “Stewart Title,” “Stewart Title Guaranty Company,” “STGC” and “Stewart” all refer to Stewart Title Guaranty Company;
- “CSR” refers to the Missouri Code of State Regulation;
- “DCI” refers to the Missouri Department of Commerce and Insurance;
- “Director” refers to the Director of the Missouri Department of Commerce and Insurance;
- “NAIC” refers to the National Association of Insurance Commissioners;
- “CPL” refers to Closing Protection Letters; and
- “RSMo” refers to the Revised Statutes of Missouri. All citations are to RSMo 2016, unless otherwise specified.

SCOPE OF EXAMINATION

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

The purpose of this examination is to determine if the Company complied with Missouri statutes and DCI 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, 2011 through December 31, 2014, unless otherwise noted. However, errors outside of this time period found during the course of the examination may also be included in the report.

The examination included a review of the following areas of the Company's operations for its title insurance business: underwriting and rating, policyholder service, producer licensing, complaint handling, and operations/management.

The examination was conducted in accordance with the standards in the NAIC's Market Regulation Handbook.

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 found. As such, this report may not fully reflect all of the practices and procedures of the Company. 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 Company provided information regarding its history as part of the examination.

Stewart Title Guaranty Company (the “Company”) is a wholly owned subsidiary of Stewart Information Services Corporation (SISCO), an insurance holding company domiciled in the State of Delaware. The Company is a title insurance underwriter domiciled in the State of Texas and insures title policies written directly or by its independent or affiliated agents, wholly or partially owned by Stewart Title Company (Title).

Stewart Title Company began in Galveston, Texas, in 1893 when Maco Stewart, a young Galveston attorney, purchased the Gulf City Abstract Company. Maco Stewart continued to issue abstracts through the Stewart Law & Land Title Office until 1905, when he and Minor Stewart offered the first title insurance in Texas in the form of an indemnity against loss due to title claims.

Today, Stewart Information Services Corporation is a customer-focused, global title insurance and real estate services company offering products and services through our direct operations, network of approved agencies and other companies within the Stewart family. Offering personalized service, industry expertise and customized solutions for virtually any type of real estate transaction, Stewart is the preferred real estate services provider.

In 2018, Stewart Title Insurance Company’s market share in the state of Missouri was 9.19%. According to the annual statements, the company reported total Missouri direct premiums written in the amount of \$5,080,258.

EXECUTIVE SUMMARY

The DCI conducted a targeted market conduct examination of Stewart Title Guaranty Company. The examiners found the following areas of concern:

- **16 errors – Conduct of Examination and Record Retention**

§374.205.2(2) RSMo “The company or person being examined shall provide within ten calendar days any record requested by an examiner during a market conduct examination.... All policy records for each policy issued shall be maintained for the duration of the current policy term plus two calendar years.”

§381.071.3 RSMo “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 fifteen years after the title insurance policy has been issued.”

20 CSR 100-8.040(2) “Every insurer transacting business in this state shall maintain its books, records, documents, and other business records in a manner so that the following practices of the insurer may be readily ascertained during market conduct examinations.”

The Company failed to maintain its records in such a manner that the practices of the insurer could be ascertained by the examiners and it failed to provide underwriting and escrow files as requested.

- **4 errors – Affiliated Business Arrangements**

§381.029.4 RSMo “The director shall require each title insurer, agency, and agent to file on forms prescribed by the director reports setting forth the names and addresses of those persons, if any, that have a financial interest in the insurer, agency, or agent and who the insurer, agency, or agent knows or has reason to believe are producers of title insurance business or associates of producers, except the duty to report shall not include shareholders of record of any publicly traded insurer.”

20 CSR 500-7.070(2)(B) “The Affiliated Business Arrangement Report. Title insurers, agencies, and agents are required under section 381.029.4, RSMo, to file reports with the director.... Such report shall be filed with the department by March 31 of each year using The Affiliated Business Arrangement Report (Form T-5B).”

The Company failed to file Form T-5B with the director from 2011 through 2014.

- **15 errors – Agency Contracts**

§381.018.5 RSMo “If a title insurer terminates its contract with a title agency licensed under this chapter, the insurer shall, within seven days of the termination, notify the director of the reasons for termination.”

The Company failed to report and/or timely report termination of contracts with agencies to the Director within seven days of termination.

- **14 errors – License required**

§381.115.2 RSMo “It is unlawful for any person to transact business as: (1) A title agency, unless the person is a licensed business entity insurance producer...or (2) A title agent, unless the person is a licensed individual insurance producer....”

The Company sold title insurance to consumers through entities that were not actively licensed as Business Entity Producers.

- **19 errors – Adherence to Filings**

§381.019.1 RSMo “A title insurer, title agency or title agent participating in a settlement or closing of a residential real estate transaction shall provide clear, conspicuous, and distinct disclosure of premiums and charges.”

§381.181.1 RSMo “Every title insurer shall file with the director its premium schedules it proposes to use in any county of this state.”

§381.181.2 RSMo “No title insurer or title agent or agency may use or collect any premium after September 28, 1987, except in accordance with the premium schedules filed with the director as required by subsections 1 and 2 of this section.”

§381.181.3 RSMo “Every title insurer shall establish basic classifications of coverages to be used as the basis for determining premiums.”

The Company issued a policy for which the premium charged was not in accordance with the filed rates.

- **5 errors – Unfair Trade Practices**

§375.936 “Any of the following practices if committed in violation of section 375.934, are hereby defined as unfair trade practices in the business of insurance.

(4) “False information and advertising generally”, making, publishing, disseminating, circulating or placing before the public, or causing, directly or indirectly, to be made, published, disseminated, circulated, or placed before the public, in a newspaper, magazine or other publication, or in the form of a notice, circular, pamphlet, letter or poster or over any radio or television station, or in any other way, an advertisement, announcement or statement containing any assertion, representation or statement with respect to the business of insurance or with respect to any insurer in the conduct of his insurance business, which is untrue, deceptive or misleading.”

The Company’s wholly owned affiliated agency used a specific disclosure of charges for residential title insurance policies that was deceptive and misleading.

- **104 errors – Examination of Title**

§381.085.4 RSMo “Any term or condition related to an insurance coverage provided by a title insurance policy or any exception to the coverage, except exceptions ascertained from, or affirmative coverages offered as a result of, a search and examination of records relating to a title or inspection or survey of a property to be insured, may only be included in the policy after the term, condition or exception has been filed with the director as herein provided.”

§381.071.1(2) RSMo “No title insurance policy shall be written unless and until the title insurer, title agent, or agency has: (2) Caused to be made a determination of insurability of title in accordance with sound underwriting practices.”

§381.071.2 RSMo “Except when allowed by regulations promulgated by the director, no title insurer, title agent, or agency shall knowingly issue any owner's title insurance policy or commitment to insure without showing all outstanding, enforceable recorded liens or other interests against the title which is to be insured.”

The Company's title insurance policies were written and issued with general exceptions to coverage, which were not filed with the Director.

- **10 errors – Recording of Deeds and Security Instruments**

§381.026.1 RSMo “The settlement agent shall present for recording all deeds and security instruments for real estate closings handled by it within five business days after completion of all conditions precedent thereto unless otherwise instructed by all of the parties to the transaction.”

The Company's title agents failed to timely present deeds for recording within five business days after all conditions for policy coverage were satisfied and failed to maintain documentation in the files that demonstrated that deeds were presented for recording within five business days.

- **78 errors – Policy Issuance**

§381.038.3 RSMo “A title agent and a title agency shall remit premiums to the title insurer under the term of its agency contract, but in no event later than within sixty days of receiving an invoice from the title insurer. A title insurer, title agency or title agent shall promptly issue each title insurance policy within forty-five days after compliance with the requirements of the commitment for insurance, unless special circumstances as defined by rule delay the issuance.”

The Company and/or its agents failed in some instances to issue policies to insureds within 45 days after compliance with the requirements of the commitment for insurance. In other instances, there was no documentation that the policies were ever delivered. Some policies were remitted to the Company more than three years after the effective date of the policy.

EXAMINATION FINDINGS

I. OPERATIONS/MANAGEMENT

This section of the report reviews the Company's compliance with Missouri laws and regulations in connection with its operations and management. The examiners reviewed the Company's Certificate of Authority for Missouri, its record retention, and T-5B Reporting.

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 DCI.

Stewart Title Guaranty Company, a Texas corporation, has current authority in Missouri to transact the business of Title insurance. The examiners found the Company to be operating within the scope of its Certificate of Authority.

B. Record Retention and Record Keeping

Pursuant to §381.071.3, RSMo, Missouri law requires evidence of the examination of title and determination of insurability be preserved and maintained in the files of the insurer or its title agents for not less than a period of fifteen years after the insurance policy has been issued.

1. The Company was unable to locate and provide nine policy files in response to a request for complete underwriting files.

Reference: §§374.205.2(2), 381.071.3, RSMo, 20 CSR 100-8.040(2), and 20 CSR 100-8.040(3)(A).

2. The Company failed to maintain its records in such a manner that the practices of the insurer could be ascertained by the examiners.

The following dates needed to determine statutory compliance were not recorded by the Company:

- Date premium remitted to insurer – The date the premium is remitted or received by the insurer. An agent is required to remit premium to the insurer under the terms of its agency contract, but in no event later than sixty days after receiving an invoice from the insurer. In its response to a request by the examiners, the Company stated it can only provide lump sums received and the date received, but could not provide remittances by file number. The examiners were able to determine the remittance date in eight of the 119 agency files reviewed.
- Policy issuance date – The date the policy is issued or delivered to the insured. The policy must be issued/delivered within forty-five days after compliance with the requirements of

the commitment of insurance, unless special circumstances delay the issuance. Such circumstances are defined by regulation and must be documented. Some agents were not keeping this date and the Company was also not recording this date. The examiners were able to determine the policy issuance date in 36 of the 119 agency files reviewed.

Reference: 20 CSR 100-8.040(2)

3. The examiner's found seven policies coded incorrectly in the Company systems. The Missouri transaction/rate code used did not reflect the rate classification actually applied to the policy. The rate charged did not match the code applied. Since the Company relied on the agent to maintain the policy file and did not receive a copy of the file, it is unclear how it could be certain the correct rate was charged based on the code it received from the agent. Records were not maintained in such a manner that examiners could determine what occurred.

Policy No	Policy Type	Policy Date	Code Used	Correct Code
xxxxxxxxx1026	O	1/29/2013	404	901
xxxxxxxxx5631	M	6/17/2014	902	201
xxxxxxxxx9417	M	1/18/2013	201	700
xxxxxxxxx0424	O	3/29/2011	101	901
xxxxxxxxx4157	O	5/11/2011	901	101
xxxxxxxxx0512	M	5/30/2012	401	201
xxxxxxxxx4135	M	12/4/2012	102	700

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

C. T-5B Reporting

Title insurers are required to file reports with the Director providing the names and addresses of any persons with a financial interest in the insurer, which the insurer knows to be a producer or the associates of a producer. The report is required to be filed with the DCI by March 31st of each year using the Affiliated Business Arrangement Report (Form T-5B).

The Company failed to file an Affiliated Business Arrangement Report (Form T-5B) with the DCI for all years in the examination timeframe: 2011, 2012, 2013, and 2014.

Note: After discussions with the examiners, the Company complied with the T-5B filing requirement for 2015 and 2016.

Reference: §381.029.4, RSMo and 20 CSR 500-7.070(2)(B).

II. PRODUCER LICENSING

Missouri law requires the Company to sell its insurance products through individuals and entities licensed by the DCI. The Missouri licensing process protects the public interest by requiring title

insurance agents to pass an examination in order to qualify for a license. This process ensures that the prospective producer is competent and trustworthy.

The examiners found the following errors during their review.

A. Agency Terminations

1. The Company provided a list of agency contract terminations for the examination timeframe. The list was compared to the Company's notifications of agency terminations provided to the Director for the same time period.

a) The Company failed to provide notification of agency terminations to the Director for 13 agencies.

Reference: §381.018.5, RSMo.

b) Notification to the Director is required within seven days of the termination of the agency contract. The Company failed to provide timely notice to the Director for two agency contract terminations.

Reference: §381.018.5, RSMo.

2. The Company is required to maintain its records in a manner that its practices can be readily ascertained by examiners during a market conduct examination pursuant to 20 CSR 100-8.040(2).

The Company failed to provide documentation to the examiners from which they could determine whether the policies issued by the agency were counter-signed by an agent of the Company at the time the policies were issued. The following agents issued title insurance on behalf of the Company after the termination of each agents' agency agreement with the Company.

Agent ID	Termination Date	No of Policies Issued After Termination
250111	11/21/2013	6
250165	07/09/2012	17
250184	12/09/2011	5
250205	09/07/2012	7
25129M	06/23/2014	2

Reference: 20 CSR 100-8.040(2).

B. Unlicensed Business

The Company conducted business selling title insurance to consumers through the following agencies, which did not have an active Business Entity Producer (BEP) license during all or part of the examination timeframe in which they sold or serviced the Company's title insurance policies. The Company allowed the following 13 agencies to act on its behalf in underwriting, examining, negotiating, rating and/or selling title insurance products. Conducting the business of title insurance in Missouri requires a proper license issued by the DCI.

Agent ID	BEP License Dates During Exam Period	No of Policies Written While Not Licensed
250085	11/16/2008 - 11/15/2010; 12/16/2010 - 11/15/2012; 11/27/2012 - 11/15/2016; 12/13/2016 - present	6
250086	Not licensed	1
250089	2/15/2009 - 2/14/2011; 2/25/2011 - 10/23/2014	15
250111	2/4/2008 - 2/3/2012; 2/8/2012 - present	11
250133	1/9/2008 - 1/9/2012; 3/22/2012 - present	6
250187	2/14/2011 - 12/05/2012; 12/18/2012 - present	11
250191	8/9/2010 - 7/9/2014; 9/18/2014 - 7/9/2016	43
250244	1/19/2009 - 1/18/2011; 3/16/2011 - 1/18/2013; 1/23/2013 - present	62
250295	9/23/2013 - present	1
250417	3/29/2009 - 3/28/2011; 4/21/2011 - present	42
25129M	3/29/2010 - 10/13/2013; 9/10/2014 - present	4
25602M	3/29/2007 - 3/28/2011; 8/12/2011 - present	19
25765M	9/4/2007 - 9/4/2013; 9/26/2013 - 12/8/2015	3

Reference: §381.115.2, RSMo.

III. UNDERWRITING AND RATING PRACTICES

This section of the report reviews the Company's underwriting and rating practices. These practices include the use of policy forms, adherence to underwriting guidelines, assessment of premium, and procedures used to decline coverage. The examiners reviewed the Company's handling of policy issuance to determine if the Company adhered to its 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 utilized sampling techniques in conducting compliance testing. Policy/underwriting files were reviewed in accordance with 20 CSR 100-8.040 and the *NAIC Market Regulation Handbook*. Error rates were 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 were presumed to indicate a general business practice. Errors indicating a failure to comply with

laws that do not apply the general business practice standard were separately noted as errors and were not included in the error rate calculations.

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.

The Company utilized direct operations and independently owned agencies to provide its product to Missouri consumers.

The examiners reviewed title and policy files to determine the accuracy of rating and adherence to prescribed and acceptable underwriting criteria. 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 was not ambiguous or misleading and was adequate to protect those insured.

A. Rates

1. In six policies the premium charged was less than the amount calculated using the risk rate filed with the Director, which resulted in premium underpayments. Insurers must charge premium according to the rates they have filed with the Director.

Policy No	Policy Type	Risk Rate	Risk Rate Review	(Undercharge)
xxxxxxx2095	O	198	198.4	-0.4
xxxxxxx1614	O	36.75	49	-12.25
xxxxxxx2457	O	37.8	50.4	-12.6
xxxxxxx2720	O	62.4	83.2	-20.8
xxxxxxx5151	O	113.44	174.4	-60.96
xxxxxxx5209	M	4	51.89	-47.89

Reference: § 381.181.1, .2, .3, RSMo and 20 CSR 500-7.100(2)(A) and (B).

2. In 10 files the premium charged was more than the amount calculated using the risk rate filed with the Director, which resulted in premium overpayments. Insurers must charge premium according to the rates they have filed with the Director.

Policy No	Policy Type	Risk Rate	Risk Rate Review	Overcharge
xxxxxxx5398	O	40.60	28.84	11.76
xxxxxxx8012	O	230.00	184.40	45.60
xxxxxxx5945	O	70.00	63.00	7.00

Policy No	Policy Type	Risk Rate	Risk Rate Review	Overcharge
xxxxxxx4135	M	200.00	170.45	29.55
xxxxxxx9986	M	90.00	54.00	36.00
xxxxxxx9573	M	70.00	51.76	18.24
xxxxxxx5646	M	114.57	77.71	36.85
xxxxxxx7283	O	149.20	93.92	55.28
xxxxxxx0831	M	91.60	70.80	20.80
xxxxxx7788	M	184.50	125.20	59.30

Reference: § 381.181.1, .2, .3, RSMo and 20 CSR 500-7.100(2)(A) and (B).

3. For the following policies, the Company’s affiliated agency, Stewart Title Company, used a rate card to manipulate the title service charges so that the final cost paid by the insured was the same regardless of the filed risk rate.

All four policies were eligible for the reissue rate. The policies were charged the “total estimated cost of owner’s policy and services” charge for the policy limit according to the rate card. For a reissue policy, the agency should be charging less for title service charges because most of the title search work has already been done. By using the rate card, the Company can charge and receive the same amount of money as it would for an owner’s original title policy, but avoid paying premium tax. Basically, Stewart Title Company charged a higher fee for doing less work in order to receive the total charges represented on the rate card. All fees charged must relate back to a service performed. Stewart Title Company’s use of the rate card effectively resulted in no cost savings consumers eligible for a reissue rate. When amounts listed on the rate card were only an estimate of the risk rate and the title service charges, the amount ultimately charged to the consumer did not match the total cost on the card and the title service fees were not adjusted to ensure such a match.

The rate card was misleading because it was represented as a marketing disclosure of estimated charges, when it was actually being used as the total amount to be charged.

Policy No	Policy Amt	Risk Rate	Risk Rate Chgd	Svc Fee Chgd	Total Chgd	Card Risk Rate	Card Svc Fee	Card Total Chgd
xxxxxxxxx5398	29,000	28.84	40.60	224.40	265.00	56.00	209.00	265.00
xxxxxxxxx8012	230,000	184.40	230.00	345.00	575.00	230.00	345.00	575.00
xxxxxxxxx8090	125,000	105.25	105.25	319.75	425.00	150.00	275.00	425.00
xxxxxxxxx7283	124,900	93.92	149.20	275.80	425.00	150.00	275.00	425.00

Reference: §375.936(4), §375.934, RSMo and 20 CSR 500-7.050(3).

4. The same practice occurred in the following policy, but it was not eligible for a reissue rate. The title service charge was reduced so that the total charges matched the rate card.

Policy No	Policy Amt	Risk Rate	Risk Rate Chgd	Svc Fee Chgd	Total Chgd	Card Risk Rate	Card Svc Fee	Card Total Chgd
xxxxxxxx4485	187,500	200.00	200.00	315.00	515.00	198.00	317.00	515.00

Reference: §375.936(4), §375.934, RSMo and 20 CSR 500-7.050(3).

B. Unfiled Exceptions

Any term or condition related to an insurance coverage provided by a title insurance policy may be included in the policy after the term or condition has been filed with the Director. Any exception to the coverage, except exceptions ascertained from, or affirmative coverages offered as a result of, a search and examination of records relating to a title or inspection or survey of a property to be insured, may be included in the policy after the exception has been filed with the Director.

Except when allowed by regulations promulgated by the Director, no title insurer, title agent, or agency shall knowingly issue any owner’s title insurance policy or commitment to insure without showing all outstanding, enforceable recorded liens or other interests against the title to be insured.

Exceptions are used to exclude or limit coverage, but also to inform the insured of matters affecting the title to property. A title search is required and the policy should provide in detail the results of the search, not just a list of exceptions used as a catch-all.

1. The 45 policies listed in the chart below, contain a Schedule B or Schedule B –Part I that includes an exception, which is general in nature and occurs with such frequency that it appears to be a standard exception and reads one of two ways: (1) “Minerals of whatsoever kind, subsurface and surface substances, including but not limited to coal, lignite, oil, gas, uranium, clay rock, sand, gravel in, or, under and that may be produced from the Land, together with all rights, privileges, and immunities relating thereto, whether or not appearing in the Public Records or listed in Schedule B. The Company makes no representation as to the present ownership of any such interests. There may be leases, grants, exceptions or reservations of interests that are not listed” or (2) “Any lease grant exception or reservation of minerals or mineral rights appearing in the public records.”

The following policies contain an exception that is general in nature and not filed as required. Any matters affecting the title or property insured that are in the public record or known should include specific information, such as book and page; otherwise, the exception is general and should be filed. A title insurance policy should not be knowingly issued without showing all interests against the title or property being insured.

Policy No	Policy Type	Policy Year	Policy Form #
xxxxxxx5164	O	2014	O-9401
xxxxxxx6559	M	2014	M-9402

Policy No	Policy Type	Policy Year	Policy Form #
xxxxxxx4823	O	2013	O-9401
xxxxxxx2359	M	2014	M-9402

Policy No	Policy Type	Policy Year	Policy Form #
xxxxxxx5707	O	2014	O-9401
xxxxxxx5684	O	2014	O-9401
xxxxxxx8381	O	2014	O-9401
xxxxxxx2807	M	2014	M-9402
xxxxxxx8413	O	2014	O-9401
xxxxxxx8012	O	2014	O-9401
xxxxxxx5616	M	2014	M-9402
xxxxxxx8108	O	2014	O-9401
xxxxxxx5698	M	2014	M-9402
xxxxxxx8090	O	2014	O-9401
xxxxxxx5676	M	2014	M-9402
xxxxxxx5976	M	2014	M-9402
xxxxxxx8397	O	2014	O-9401
xxxxxxx6103	M	2014	M-9402
xxxxxxx3667	M	2014	M-9402
xxxxxxx4485	O	2014	O-9401
xxxxxxx4004	M	2013	M-9402
xxxxxxx7374	M	2012	M-9402
xxxxxxx5783	M	2013	M-9402
xxxxxxx9319	M	2011	M-9402
xxxxxxx9466	M	2012	M-9402

Policy No	Policy Type	Policy Year	Policy Form #
xxxxxxx4157	O	2011	O-9401
xxxxxxx4578	M	2011	M-9402
xxxxxxx3635	M	2012	M-9402
xxxxxxx4289	O	2012	O-9401
xxxxxxx2514	M	2012	M-9402
xxxxxxx2611	M	2012	M-9402
xxxxxxx0831	M	2013	M-9402
xxxxxxx0854	M	2013	M-9402
xxxxxxx2317	M	2014	M-9402
xxxxxxx0510	O	2014	O-9401
xxxxxxx3339	O	2014	O-9401
xxxxxxx4091	O	2014	O-9401
xxxxxxx2095	O	2014	O-9401
xxxxxxx4296	M	2014	M-9402
xxxxxxx5631	M	2014	M-9402
xxxxxxx1195	O	2014	O-9401
xxxxxxx6123	O	2014	O-9401
xxxxxxx7672	M	2014	M-9402
xxxxxxx9693	O	2014	O-9401
xxxxxxx0162	M	2013	M-9402

Note: Highlighted rows = policies that were not in the sample but were simultaneously issued with a policy in the sample and located in the same underwriting file reviewed. These were added for illustrative purposes and did not count towards number of policies in error.

Reference: §§381.085, 381.071.1.1(2), and 381.071.2, RSMo

2. The 40 policies listed in the chart below contain a Schedule B or Schedule B –Part I that includes an exception, which is general in nature and occurs with such frequency it appears to be a standard exception and reads one of two ways: (1) “Building setback lines, utility easements and/or rights of way or servitudes appearing in the public records” or, (2) “Building setback lines, easements and restrictions as shown in the recorded plat of [SUBDIVISION NAME].”

The following policies contain an exception that is general in nature and not filed as required. Any matters affecting the title or property insured that are in the public record or known should include specific information, such as book and page; otherwise, the exception is general and should be filed. A title insurance policy should not be knowingly issued without showing all interests against the title or property being insured.

Note: Two examples in which the same issue was handled differently, using specific exceptions and do not need to be filed are: (1) Alpha Title policy M-9302-3470854, file number 47154, exception reads, “Building setbacks, utility easements, right-of-way or servitude appearing in the public records as Plat Document No. 1998I0074007, page 1.” And, (2) Stewart Title Company

policy M-9302-003604135, file number 01109-3159, in which the exception reads, “*Building lines, easements and restrictions shown on the plat of LAKES AT OAKMONT SEVENTH PLAT recorded 08/09/2004 in Plat Book 20 and Page 40.*”

Policy No	Policy Type	Policy Year	Policy Form #
xxxxxxx6103	M	2014	M-9402
xxxxxxx4004	M	2013	M-9402
xxxxxxx7374	M	2012	M-9402
xxxxxxx6024	O	2012	O-9401
xxxxxxx7730	M	2013	M-9402
xxxxxxx5866	O	2013	O-9401
xxxxxxx5783	M	2013	M-9402
xxxxxxx7595	O	2011	O-9401
xxxxxxx8779	O	2012	O-9401
xxxxxxx9347	M	2012	M-9402
xxxxxxx9573	M	2011	M-9402
xxxxxxx9319	M	2011	M-9402
xxxxxxx9466	M	2012	M-9402
xxxxxxx8759	O	2012	O-9401
xxxxxxx9331	M	2012	M-9402
xxxxxxx7177	O	2012	O-9401
xxxxxxx3828	M	2012	M-9402
xxxxxxx4928	O	2012	O-9401
xxxxxxx0424	O	2011	O-9401
xxxxxxx4553	M	2011	M-9402

Policy No	Policy Type	Policy Year	Policy Form #
xxxxxxx4157	O	2011	O-9401
xxxxxxx4578	M	2011	M-9402
xxxxxxx3635	M	2012	M-9402
xxxxxxx4289	O	2012	O-9401
xxxxxxx2514	M	2012	M-9402
xxxxxxx2611	M	2012	M-9402
xxxxxxx0831	M	2013	M-9402
xxxxxxx2317	M	2014	M-9402
xxxxxxx0510	O	2014	O-9401
xxxxxxx2095	O	2014	O-9401
xxxxxxx4296	M	2014	M-9402
xxxxxxx0873	M	2011	M-9402
xxxxxxx0885	M	2011	M-9402
xxxxxxx4154	O	2011	O-9401
xxxxxxx5711	M	2013	M-9402
xxxxxxx7533	O	2013	O-9401
xxxxxxx7672	M	2014	M-9402
xxxxxxx9693	O	2014	O-9401
xxxxxxx0162	M	2013	M-9402
xxxxxxx5158	O	2013	O-9401

Note: Highlighted rows = policies that were not in the sample but were simultaneously issued with a policy in the sample and located in the same underwriting file reviewed. These were added for illustrative purposes and did not count towards number of policies in error.

Reference: §§381.085 and 381.071.2, RSMo.

3. The following 3 policies were written on the Company’s filed form U-9475, which is a Short Form Residential Loan Policy. An addendum was filed for use with Form U-9475, which can be utilized to add specific exceptions to the Schedule B of the policy. The filed addendum does not contain any general exceptions. The general exceptions are a part of Form U-9475. The purpose of the addendum is to have the ability to add specific exceptions that affect the title being insured and to include reference to the document affecting the property or title, such as book and page. Some of the unfiled general exceptions on the addendums of the following policies are:

- a. Easements or claims of easements not recorded in the public records.

- b. Taxes or special assessments which are not shown as existing liens by the public records.
- c. Any discrepancies or conflicts in boundary lines, any shortages in area, or any encroachment or overlapping of improvements.
- d. Subject to right-of-ways, easements, reversions, riparian rights, reservations or restrictions in the prior chain of title or as shown on the recorded plan.
- e. Rights of claims of parties in possession not shown by the public records.
- f. Any lien, or right to a lien, for services, labor material heretofore or hereafter furnished, imposed by law and not shown by the public records.
- g. Any covenant or restriction based on race, color, religion, sex, handicap, familial status, or national origin unless and only to the extent that said covenant
 - (a) is exempt under Chapter 42, Section 3607 of the United States Code or
 - (b) related to handicap but does not discriminate against handicapped persons.
- h. Building lines, covenants, conditions, dedications, restrictions, easements, assessments, liens, charges, and terms as shown in City of St. Louis Records.
- i. Charges and assessments by Trustee of said Subdivision, Sewer service charges, Sewer lateral charges, roadway maintenance assessments and/or public water supply district charges and assessments, if any.
- j. Defects, liens, encumbrances, adverse claims or other matters, if any, first appearing in the public records or attaching subsequent to the effective date hereof but prior to the date the proposed insured acquires for value of record the estate or interest or mortgage thereon covered by this Commitment.
- k. Any and all matters indicated on the Plat of [SUBDIVISION]
- l. Our policy, when issued, will not ensure against the possibility that the subject property may be incorrectly assessed or included in a benefit or other improvement district contemplated or existing but for which no assessments have yet been shown on the county or city tax rolls.
- m. Any pending suits, judgements and/or tax liens of record, if any, as to the record title owner(s).

The three Company policies listed below contained exceptions that were general in nature and were not filed as required.

Policy No	Policy Type	Policy Year	Exception
xxxxxxxx9544	M	2014	a, b, c, d
xxxxxxxx3806	M	2011	a, b, c, e, g, h, i, j
xxxxxx6670	M	2013	k, l, m

Reference: §§381.085 and 381.071.2, RSMo.

4. For the 16 policies listed in the chart below, the Schedule B or Schedule B –Part I includes an exception that is general in nature that reads one of two ways: (1) “Terms, provisions, covenants, conditions, easements, and home association if any appearing in the public record” Or, (2) Covenants, conditions, restrictions and Homes Associations, if any, appearing in the public records.”

The following Company policies contained this exception that was general in nature and not filed as required. Any matters affecting the title or property insured that are in the public record or known should include information specific to the title or property being insured, such as book and page; otherwise, the exception is general and should be filed. A title insurance policy should not be knowingly issued without showing all interests against the title or property being insured.

Note: An example where the same issue was handled differently, using information specific to the property where the examiners do not believe it was necessary to file the exception is in Alpha Title policy number M-9302-3470854, file number 47154. The exception reads, “*Terms, provisions, covenants, conditions, easements, and home association if any appearing in the public record first recorded as Document No. 1997I0000047, Book 2944, page 1852 and additional restrictions recorded as Document No. 2000I0038314.*”

Policy No	Policy Type	Policy Year	Policy Form #
xxxxxxxx6103	M	2014	M-9402
xxxxxxxx4004	M	2013	M-9402
xxxxxxxx7374	M	2012	M-9402
xxxxxxxx5783	M	2013	M-9402
xxxxxxxx9319	M	2011	M-9402
xxxxxxxx9466	M	2012	M-9402
xxxxxxxx4157	O	2011	O-9401
xxxxxxxx4578	M	2011	M-9402

Policy No	Policy Type	Policy Year	Policy Form #
xxxxxxxx3635	M	2012	M-9402
xxxxxxxx4289	O	2012	O-9401
xxxxxxxx2514	M	2012	M-9402
xxxxxxxx2611	M	2012	M-9402
xxxxxxxx0831	M	2013	M-9402
xxxxxxxx2095	O	2014	O-9401
xxxxxxxx4296	M	2014	M-9402
xxxxxxxx0162	M	2013	M-9402

Note: Highlighted rows = policies that were not in the sample but were simultaneously issued with a policy in the sample and located in the same underwriting file reviewed. These were added for illustrative purposes and did not count towards number of policies in error.

Reference: §§381.085 and 381.071.2, RSMo.

C. Disclosures

1. Section 381.019, RSMo requires title insurers and agencies/agents to provide “clear, conspicuous, and distinct disclosure of premiums and charges”. For closings that involve the use of a HUD-1, premium (risk rate) should be the only amount listed on the “Title Insurance” line.

In the following 10 policies, the settlement statement form included an amount greater than the risk rate indicated on the policy.

Policy No	Risk Rate	HUD-1 Disclosure
xxxxxxx2514	55.26	57.51
xxxxxxx5030	4.00	30.00
xxxxxxx5631	5.67	536.00
xxxxxxx0251	11.90	165.00
xxxxxxx5151	113.44	483.00
xxxxxxx8012	184.40	230.00
xxxxxxx6024	100.00	345.00
xxxxxxx8779	60.20	275.00
xxxxxxx8759	174.00	470.00
xxxxxxx0686	96.30	350.00

Reference: §381.019.1, RSMo and 20 CSR 500-7.050(2)(A).

2. The following three files included a blank or incorrect risk rate on Schedule A of the policy.

Policy No	Risk Rate	Risk Rate on Schedule A
xxxxxxx0873	123.74	Blank - Only Total Charge listed
xxxxxxx0885	4.00	Blank - Only Total Charge listed
xxxxxxx8410	53.90	80.85

Reference: §381.019.1, RSMo.

D. Recording of Documents

1. Section 381.026.1, RSMo. states, “The settlement agent shall present for recording all deeds and security instruments for real estate closings handled by it within five business days after completion of all conditions precedent thereto unless otherwise instructed by all of the parties to the transaction.”

The following three files reflected a recording date exceeding the 5-day limit. No unsatisfied conditions were readily apparent from the review of the file.

Policy No	Settlement Date	Deed Recorded Date	No of Business Days After Closing
xxxxxxx4578	7/21/2011	7/29/2011	6
xxxxxx7788	7/13/2011	8/23/2011	29
xxxxxxx0094	1/18/2013	2/6/2013	12

Reference: §381.026.1, RSMo.

2. The following seven files did not have documentation that the deeds were presented for recording within five business days as required by Section 381.026.1, RSMo.

The Company or its agents failed to preserve or maintain adequate documentation in their files in a manner that would allow the examiners to readily ascertain the Company's underwriting practices pursuant to 20 CSR 100-8.040(2).

Policy No	Settlement Date	Deed Recorded Date
xxxxxxx4157	NIF	NIF
xxxxxxx3635	NIF	5/9/2012
xxxxxxx2611	NIF	8/23/2012
xxxxxxx0831	NIF	1/31/2013
xxxxxxx0854	NIF	2/13/2013
xxxxxxx7512	NIF	NIF
xxxxxxx8124	NIF	12/31/2012

Note: NIF=Not in File

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

IV. POLICYHOLDER SERVICE

A. Policy Issuance/Delivery

1. The examiners reviewed 119 underwriting files and found 34 policies in error.

a. Twenty-one policies were not issued/delivered timely to the insured. It could not be ascertained from the file if these policies were ever issued/delivered.

Policy No
xxxxxxx4578
xxxxxxx5209
xxxxxxx3635
xxxxxxx4289

Policy No
xxxxxxx2514
xxxxxxx2611
xxxxxxx0831
xxxxxxx0854

Policy No
xxxxxxx4157
xxxxxxx9561
xxxxxx6670
xxxxxxx5711
xxxxxxx7672
xxxxxxx0251
xxxxxx8086

Policy No
xxxxxx8124
xxxxxxx0162
xxxxxxx5158
xxxxxxx5151
xxxxxxx4719
xxxxxxx9319

Reference: §§374.205, 381.038.3, 381.071, RSMo and 20 CSR 100-8.040(2).

b. Four policies: xxxxx9544, xxxxxxx4546, xxxxxxx0094 and xxxxxxx8410 were not issued/delivered timely to the insured. For each file, the Company provided a screenshot of a computer file containing a pdf or WordPerfect document with a “date last modified.” There is no documentation to show how the document was modified or what action was taken with regard to the document on the date shown. The files contained insufficient documentation to show the date the policy was issued/delivered to the insured.

Reference: §§374.205, 381.038.3, 381.071, RSMo and 20 CSR 100-8.040(2).

c. Owner’s policy no. xxxxxxx9029 was not issued/delivered timely to the insured. The Company provided a copy of the e-mail to the lender showing the date the loan policy was issued/delivered to the lender. The Company was unable to provide documentation that the owner’s policy was issued/delivered.

Reference: §§374.205, 381.038.3, 381.071, RSMo and 20 CSR 100-8.040(2).

d. Four policies: xxxxxxx4837, xxxxxxx5164, xxxxxxx0686 and xxxxxxx5436 were not issued/delivered timely to the insured. The agency provided the Company with a date the policy was issued/delivered, but provided no supporting documentation as evidence of the date.

Reference: §§374.205, 381.038.3, 381.071, RSMo and 20 CSR 100-8.040(2).

e. Three policies: xxxxxxx1009, xxxxxxx0512 and xxxxxxx0582 were not issued/delivered timely to the insured. The Company provided a copy of an internal document as proof of the issue/delivery date of the policy; however, it is insufficient evidence of issuance as the document was a form instructing the agent to “mention which policy, end. & where sent/whom to.” The form for each of the policies below shows either “7-3” or “8-17” and a person’s initials. The notation does not include which policy or endorsement was sent, where sent, or whom it was given to.

Reference: §§374.205, 381.038.3, 381.071, RSMo and 20 CSR 100-8.040(2).

f. Policy no. xxxxxxx4475 was not issued/delivered timely to the insured. A copy of the cover letter accompanying the policy shows the policy was issued/delivered on January

2, 2014. The Company contended that the deed of release was not recorded until November 25, 2013, which delayed the issuance of the policy; however, the Company failed to provide a copy of the deed to show the recording date. This date is crucial in determining compliance with Missouri law. The policy effective date was November 21, 2013.

Reference: §§374.205, 381.038.3, 381.071, RSMo and 20 CSR 100-8.040(2).

2. The following 44 policies were part of the underwriting sample of 50, which consisted of policies that were remitted to the Company three or more years after the policy effective date.

Missouri law requires that the policy be issued/delivered to the insured within forty-five (45) days of the satisfaction of the requirements listed in the commitment. In delaying the policy issuance/delivery, the remittance of policy details and premium to the insurer was also delayed. In most instances, premium is not recognized until the policy is remitted. During the exam timeframe, premium was not matched to the specific policy for which it was paid. Instead, it was applied to the running balance. Especially for some policies issued by the Company's affiliates that were remitted years after the effective date and collection of premium from the consumer, the premium was applied to other policies, because the policies for which the premium was paid were not known about for years.

a. The following nine policies were issued/delivered late to the insured. Regulation 20 CSR 500-7.090 provides special circumstances for policy delay. A review of the files for the following policies did not reveal that the special circumstances applied or that the delay was caused by unmet requirements in the commitment.

Policy No
xxxxxxxxx8482
xxxxxxxxx9837
xxxxxxxxx9842
xxxxxxxxx9846
xxxxxxxxx9844
xxxxxxxxx9847
xxxxxxxxx1031
xxxxxxxxx9856
xxxxxxxxx0842

Reference: §381.038.3, RSMo.

b. The underwriting file policy no. xxxxxxxxx4286, provided in response to the examiner's request, did not contain documentation to show that the policy was ever issued. The Company was also unable to provide verification that the policy was issued/delivered to the insured. Missouri statutes require policy issuance within 45 days of the satisfaction of the requirement in the commitment, but the Company stated that neither they nor its agents were required to maintain proof of policy issuance.

Reference: §§374.205, 381.038.3, 381.071, RSMo and 20 CSR 100-8.040(2).

c. The following 33 policies were issued/delivered late and were also remitted to the insurer late in relation to the issuance/delivery date.

Policy No
xxxxxxxx8464
xxxxxxxx0615
xxxxxxxx8433
xxxxxxxx8442
xxxxxxxx2788
xxxxxxxx4350
xxxxxxxx2787
xxxxxxxx0982
xxxxxxxx1019
xxxxxxxx0996
xxxxxxxx1009
xxxxxxxx1115
xxxxxxxx0991
xxxxxxxx1003
xxxxxxxx1015
xxxxxxxx4185
xxxxxxxx2141

Policy No
xxxxxxxx2138
xxxxxxxx2144
xxxxxxxx9867
xxxxxxxx1009
xxxxxxxx0982
xxxxxxxx4466
xxxxxxxx7213
xxxxxxxx4463
xxxxxxxx7206
xxxxxxxx7207
xxxxxxxx7154
xxxxxxxx7155
xxxxxxxx7185
xxxxxxxx0656
xxxxxxxx7295
xxxxxxxx5926

Reference: §381.038.3, RSMo.

d. The Company was unable to provide policy no. xxxxxxxxxxx3978 as it was not maintained. However, the Company data shows this policy was not remitted to the insurer until 2015.

Reference: §§374.205, 381.038.3, 381.071, RSMo and 20 CSR 100-8.040(2).

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. 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 subsequent time frame. If the response was not received within that time period, the response was not considered timely.

A. Criticism Time Study

Calendar Days	Number of Criticisms	Percentage
Received within the time limit including any extensions	12	86%
Received outside time limit including any extensions	2	14%
Total	14	100%

Reference: §374.205.2(2), RSMo.

B. Formal Request Time Study

Calendar Days	Number of Requests	Percentage
Received within the time limit including any extensions	28	97%
Received outside time limit including any extensions	1	3%
Total	29	100%

Reference: §374.205.2(2), RSMo.

EXAMINATION REPORT SUBMISSION

Attached hereto is the Division of Insurance Market Regulation's Final Report of the examination of Stewart Title Guaranty Company (NAIC #50121), Examination Number 1503-107-TGT. This examination was conducted by Martha Long JD, CIE, MCM, Examiner-in-Charge, Jamie Morris, Examiner III, Julie Hesser, Examiner III, and Tad Herin, Examiner III. The findings in the Final Report were extracted from the Market Conduct Examiner's Draft Report, dated April 11, 2019. 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.

4-3-2020

Date



Stewart Freilich
Chief Market Conduct Examiner