

**REPORT OF
MARKET CONDUCT EXAMINATION
OF**

**THE SECURITY TITLE GUARANTEE
CORPORATION OF BALTIMORE**

Baltimore, Maryland

**AS OF
April 15, 2009**

COMMONWEALTH OF PENNSYLVANIA



**INSURANCE DEPARTMENT
MARKET CONDUCT DIVISION**

Issued: June 12, 2009

VERIFICATION

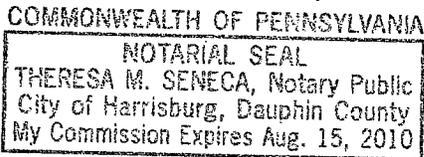
Having been duly sworn, I hereby verify that the statements made in the within document are true and correct to the best of my knowledge, information and belief. I understand that false statements made herein are subject to the penalties of 18 Pa. C.S. §4903 (relating to false swearing).

June A. Coleman
June A. Coleman, Examiner-in-Charge

Sworn to and Subscribed Before me

This 13th Day of April, 2009

Theresa M. Seneca
Notary Public



THE SECURITY TITLE GUARANTEE CORPORATION OF BALTIMORE

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BEFORE THE INSURANCE COMMISSIONER
OF THE
COMMONWEALTH OF PENNSYLVANIA

ORDER

AND NOW, this 22ND day of July, 2008, in accordance with Section 905(c) of the Pennsylvania Insurance Department Act, Act of May 17, 1921, P.L. 789, as amended, P.S. § 323.5, I hereby designate Ronald A. Gallagher, Deputy Insurance Commissioner, to consider and review all documents relating to the market conduct examination of any company and person who is the subject of a market conduct examination and to have all powers set forth in said statute including the power to enter an Order based on the review of said documents. This designation of authority shall continue in effect until otherwise terminated by a later Order of the Insurance Commissioner.





Joel S. Ario
Insurance Commissioner

BEFORE THE INSURANCE COMMISSIONER
OF THE
COMMONWEALTH OF PENNSYLVANIA

IN RE:	:	VIOLATIONS:
	:	
THE SECURITY TITLE	:	40 P.S. §§ 323.3(a), 910-25,
GUARANTEE CORPORATION	:	910-27, 910-37(a), 910-37(h),
OF BALTIMORE	:	and 1171.4
6 South Calvert Street	:	
Baltimore, MD 21202	:	
	:	
Respondent.	:	Docket No. MC09-04-029

CONSENT ORDER

AND NOW, this 12th day of June, 2009, this Order is hereby issued by the Insurance Department of the Commonwealth of Pennsylvania pursuant to the statutes cited above and in disposition of the matter captioned above.

1. Respondent hereby admits and acknowledges that it has received proper notice of its rights to a formal administrative hearing pursuant to the Administrative Agency Law, 2 Pa.C.S. § 101, et seq., or other applicable law.

2. Respondent hereby waives all rights to a formal administrative hearing in this matter, and agrees that this Consent Order shall have the full force and effect of an order duly entered in accordance with the adjudicatory procedures set forth in the Administrative Agency Law, supra, or other applicable law.

FINDINGS OF FACT

3. The Insurance Department finds true and correct each of the following Findings of Fact:

- (a) Respondent is The Security Title Guarantee Corporation of Baltimore, and maintains its address at 6 South Calvert Street, Baltimore, Maryland 21202.
- (b) A market conduct examination of Respondent was conducted by the Insurance Department covering the period from January 1, 2006 through December 31, 2006.
- (c) On April 22, 2009, the Insurance Department issued a Market Conduct Examination Report to Respondent.
- (d) A response to the Examination Report was provided by Respondent on May 15, 2009.
- (e) The Examination Report notes violations of the following:
 - (i) 40 P.S. §323.3(a), which requires every company subject to examination to keep all records and documents relating to its business in such manner as

may be required in order that the Department may verify whether the company has complied with the laws of this Commonwealth;

- (ii) 40 P.S. § 910-25, which requires every title insurance company authorized to transact business within this Commonwealth to, from time to time, certify to the commissioner the names of all agents appointed by it in this Commonwealth;
- (iii) 40 P.S. § 910-27, which requires every agent of a title insurance company to keep the books, records, accounts and vouchers pertaining to the business of title insurance, in such manner that the commissioner or his authorized representative may readily ascertain from time to time, whether or not the agent has complied with all of the applicable provisions of this Act;
- (iv) 40 P.S. § 910-37(a), which requires every title insurance company to file with the commissioner every manual of classifications, rules, plans and schedules of fees and every modification of any of the foregoing relating to the rates which it proposes to use. Every such filing shall state the proposed effective date thereof, and shall indicate the character and extent of the coverage contemplated;
- (v) 40 P.S. § 910-37(h), which provides that no title insurance company or agent of a title insurance company shall charge any fee for any policy or contract

of title insurance except in accordance with filings or rates which are in effect for said title insurance company or such agent of a title insurance company as provided in this article; and

- (vi) 40 P.S. § 1171.4, which prohibits any person from engaging in this state in any trade practice which is defined or determined to be an unfair method of competition or an unfair or deceptive act or practice in the business of insurance pursuant to this act.

CONCLUSIONS OF LAW

4. In accord with the above Findings of Fact and applicable provisions of law, the Insurance Department makes the following Conclusions of Law:

- (a) Respondent is subject to the jurisdiction of the Pennsylvania Insurance Department.
- (b) Respondent's violations of 40 P.S. §§ 910-25, 910-27, 910-37(a) and 910-37(h) are punishable by the following, under 40 P.S. §910-48: The commissioner may, if he finds that any person or organization has violated any provision of this article, impose a penalty or not more than \$500 for each violation. If the violation is willful, the commissioner may impose a penalty of

not more than \$5,000 for each violation, in addition to any other penalty provided by law;

(c) Respondent's violations of 40 P.S. § 1171.4, are punishable by the following, under 40 P.S. §1171.9:

- (i) cease and desist from engaging in the prohibited activity;
- (ii) suspension or revocation of the license(s) of Respondent.

(d) In addition to any penalties imposed by the Department for Respondent's violations of the Unfair Insurance Practices Act (40 P.S. §§ 1171.1 – 1171.5), the Department may, under 40 Purdon's Statutes, Sections 1171.10 and 1171.11 file an action in which the Commonwealth Court may impose the following civil penalties:

- (i) for each method of competition, act or practice which the company knew or should have known was in violation of the law, a penalty of not more than five thousand dollars (\$5,000.00);
- (ii) for each method of competition, act or practice which the company did not know nor reasonably should have known was in violation of the law, a penalty of not more than one thousand dollars (\$1,000.00).

ORDER

5. In accord with the above Findings of Fact and Conclusions of Law, the Insurance Department orders and Respondent consents to the following:

- (a) Respondent shall cease and desist from engaging in the activities described herein in the Findings of Fact and Conclusions of Law.
- (b) Respondent shall file an affidavit stating under oath that it will provide each of its directors, at the next scheduled directors meeting, a copy of the adopted Report and related Orders. Such affidavit shall be submitted within thirty (30) days of the date of this Order.
- (c) Respondent shall comply with all recommendations contained in the attached Report.
- (d) Respondent shall pay Five Thousand Dollars (\$5,000.00) to the Commonwealth of Pennsylvania in settlement of all violations contained in the Report.
- (e) Payment of this matter shall be made by check payable to the Commonwealth of Pennsylvania. Payment should be directed to Sharon L. Fraser, Bureau of Market Conduct, PA Insurance Department, 1227 Strawberry Square,

Harrisburg, Pennsylvania 17120. Payment must be made no later than thirty (30) days after the date of this Order.

6. In the event the Insurance Department finds that there has been a breach of any of the provisions of this Order, based upon the Findings of Fact and Conclusions of Law contained herein, the Department may, in its discretion, pursue any and all legal remedies available, including but not limited to the following: The Insurance Department may enforce the provisions of this Order in the Commonwealth Court of Pennsylvania or in any other court of law or equity having jurisdiction; or it may enforce the provisions of this Order in an administrative action pursuant to the Administrative Agency Law, supra, or other relevant provision of law.

7. Alternatively, in the event there has been a breach of any of the provisions of this Order, the Department may declare this Order to be null and void and, thereupon, reopen the entire matter for appropriate action pursuant to the Administrative Agency Law, supra, or other relevant provision of law.

8. In any such enforcement proceeding, Respondent may contest whether a breach of the provisions of this Order has occurred but may not contest the Findings of Fact and Conclusions of Law contained herein.

9. Respondent hereby expressly waives any relevant statute of limitations and application of the doctrine of laches for purposes of any enforcement of this Order.

10. This Order constitutes the entire agreement of the parties with respect to the matters referred to herein, and it may not be amended or modified except by an amended order signed by all the parties hereto.

11. This Order shall be final upon execution by the Insurance Department. Only the Insurance Commissioner or a duly authorized delegee is authorized to bind the Insurance Department with respect to the settlement of the alleged violations of law contained herein, and this Consent Order is not effective until executed by the Insurance Commissioner or a duly authorized delegee.

BY: THE SECURITY TITLE GUARANTEE
CORPORATION OF BALTIMORE,
Respondent



President / Vice President



Secretary / Treasurer



COMMONWEALTH OF PENNSYLVANIA

By: Ronald A. Gallagher, Jr.
Deputy Insurance Commissioner

I. INTRODUCTION

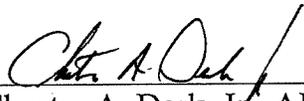
The Market Conduct Examination was conducted on The Security Title Guarantee Corporation of Baltimore (“the Company”), in the office of the Pennsylvania Insurance Department, located in Harrisburg, Pennsylvania. In addition, the examination included field visits to the locations of the Company’s title agents. The agent interactions confirmed the findings reflected in this report.

The Pennsylvania Market Conduct Examination Report (“Report”) generally notes only those items to which the Department, after review, takes exception. However, the Report may include management recommendations addressing areas of concern noted by the Department, but for which no statutory violation was identified. This enables Company management to review those areas of concern in order to determine the potential impact upon Company operations or future compliance. A violation is any instance of Company activity that does not comply with an insurance statute or regulation. Violations contained in the Report may result in imposition of penalties.

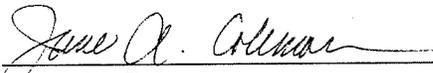
Throughout the course of the examination, Company officials were provided with status memoranda, which referenced specific policy numbers with citation to each section of law violated. Additional information was requested to clarify potential violations. An exit conference was conducted with Company personnel to discuss the various types of violations identified during the examination and review written summaries provided on the violations found.

The courtesy and cooperation extended by the officers and employees of the Company during the course of the examination is hereby acknowledged.

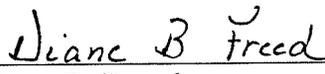
The undersigned participated in this examination and in preparation of this Report.



Chester A. Derk, Jr., AIE, HIA
Market Conduct Division Chief



June A. Coleman
Market Conduct Examiner



Diane B. Freed
Market Conduct Examiner

II. SCOPE OF EXAMINATION

The Market Conduct Examination was conducted on The Security Title Guarantee Corporation of Baltimore at the office of the Pennsylvania Insurance Department located in Harrisburg, Pennsylvania. The examination was conducted pursuant to Sections 903 and 904 of the "Insurance Department Act," the Act of May 17, 1921, P.L. 789, No. 185, Art., IX, *as amended* 40 P.S. §§323.3, 323.4 and covered the experience period of January 1, 2006 through December 31, 2006, unless otherwise noted. The purpose of the examination was to determine the Company's compliance with Pennsylvania insurance laws and regulations.

The examination focused on Company operations in the following areas:

1. Underwriting Practices and Procedures
2. Rating
3. Forms
4. Licensing

III. COMPANY HISTORY AND LICENSING

The Security Title Guarantee Corporation of Baltimore, a privately held company, was incorporated in the State of Maryland on December 15, 1952, and commenced business on January 1, 1953.

The Company distributes its products and services primarily along the Eastern seaboard through a network of approximately 450 agents and 200 approved attorneys spread throughout 18 states and the District of Columbia, as well as through one direct office located in the State of Maryland. Support is provided to its agency network through state and regional offices located in Baton Rouge, Louisiana; Jackson, Mississippi; Hot Springs, Arkansas; Columbia, South Carolina; Lancaster, Pennsylvania and White Plains, New York.

LICENSING

The Security Title Guarantee Corporation of Baltimore is currently licensed to write title insurance in the Commonwealth of Pennsylvania under a Certificate of Authority last issued April 1, 2009. The Company is licensed in the District of Columbia, Alabama, Arkansas, Colorado, Delaware, Georgia, Kentucky, Louisiana, Maine, Maryland, Mississippi, New Hampshire, New Jersey, New York, Ohio, Pennsylvania, South Carolina, Tennessee and West Virginia.

The Company's total direct premium earned in Pennsylvania was \$ 4,927,301 as of its 2007 annual statement.

IV. UNDERWRITING PRACTICES AND PROCEDURES

As part of the examination, the Company was requested to supply manuals, underwriting guides, bulletins, directives or other forms of underwriting procedure communications. The purpose of this review was to identify any inconsistencies which could be considered discriminatory, specifically prohibited by statute or regulation, or unusual in nature. No violations were noted.

V. RATING

The purpose of the review was to measure compliance with Section 737 of the "Insurance Company Law," the Act of May 17, 1921, P.L. 682, Art., VII, *as amended* 40 P.S. §910-37, which requires every title insurance company to file with the Insurance Commissioner every manual of classifications, rules, plans, and schedules of fees and every modification of any of the foregoing relating to the rates which it proposes to use in the Commonwealth. In addition, this section of the law prohibits a title insurance company or agent of a title insurance company from charging any fee for any policy or contract of title insurance except in accordance with filings or rates which are in effect for the title insurance company or agent of a title insurance company as provided in this article of the law, or in accordance with subsections (f) and (g) of this section.

To perform this review, the Department selected 100 lender policies and 100 owner policies from the universe of 2,699 lender policies and 2,481 owner policies that were issued during the experience period.

All rates, forms and rules used by the Company must be filed with and approved by the Pennsylvania Insurance Department. The rates approved for use by The Security Title Guarantee Corporation of Baltimore effective August 1, 2005 and May 1, 2006, were published by the Title Insurance Rating Bureau of Pennsylvania ("TIRBOP") and contain rules governing the writing of title insurance. General Rule 2.7 of the Manual of Title Insurance Rating Bureau (2005 and 2006) ("Rate Manual") states: "No policy, endorsement or other coverage may be issued which varies the terms, conditions, stipulations or exclusions of a policy unless first approved by the Department." In addition, the Company was requested to provide quarterly reports that are required if additional charges or special fees are made under Section 2.3 or Section 2.4 of the TIRBOP Manual. The examiners were able to determine

compliance with the Company's filed and approved rating plans by reviewing documentation supporting the charges listed in Sections 1100, 1200 and 1300 of the HUD-1 settlement sheet.

The following findings were made:

A. 4 Violations as a result of the Company's failure to provide documentation to support charges on the HUD settlement sheet. The violations are of the Insurance Company Law at 40 P.S. §910-27 which:

Requires every agent of a title insurance company shall keep his, her or its books, records, accounts and vouchers pertaining to the business of title insurance, in such manner that the commissioner or his authorized representative may readily ascertain from time to time, whether or not the agent has complied with all of the applicable provisions of this act. Failure to comply with this section shall be a ground for revocation of the agent's license.

AND the Insurance Company Law at 40 P.S. §910-37(h) which:

Requires that beginning ninety days after the effective date of this amendment, no title insurance company or agent of a title insurance company shall charge any fee for any policy or contract of title insurance except in accordance with filings or rates which are in effect for said title insurance company or such agent of a title insurance company as provided in this article, or in accordance with subsections (f) and (g) of this section.

AND the Insurance Department Act at 40 P.S. §323.3(a) which:

Requires every company or person subject to examination in accordance with this act must keep all books, records, accounts,

papers documents and any or all computer or other recordings relating to its property, assets, business and affairs in such manner and for such time periods as the Department, in its discretion, may require in order that its authorized representatives may readily ascertain whether the company or person has complied with the laws of this Commonwealth.

Of the four (4) violations noted, three (3) violations were the result of the Company not providing documentation to support the charges and/or pass through charges under Sections 1100 and 1200 of the HUD-1 sheet according to Section 2.1 and Section 3.4 in the Rate Manual. This resulted in overcharges of \$195.00. The remaining violation was the result of the Company not providing documentation to support the charge and/or pass-through charge under Section 1300 of the HUD-1 sheet according to Section 2.1 and Section 3.4 in the Rate Manual. This resulted in an overcharge of \$30.00.

B. 2 Violations as the result of the Company not filing with the Department additional charges in especially difficult title matters and special fees for affirmative risks coverages each quarter during the experience period. The violations are of the Insurance Company Law at 40 P.S. §910-37(a) which:

Requires every title insurance company to file with the commissioner every manual of classifications, rules, plans, and schedules of fees and every modification of any of the foregoing relating to the rates which it proposes to use. Every such filing shall state the proposed effective date thereof, and shall indicate the character and extent of the coverage contemplated.

C. 25 Violations as a result of the Company making inappropriate charges on the HUD settlement sheet. These are violations of the Insurance Company Law at 40 P.S. §910-37(h) which:

Requires that beginning ninety days after the effective date of this amendment, no title insurance company or agent of a title insurance company shall charge any fee for any policy or contract of title insurance except in accordance with filings or rates which are in effect for said title insurance company or such agent of a title insurance company as provided in this article, or in accordance with subsections (f) and (g) of this section.

Of the 25 violations noted, 17 violations were the result of the Company charging incorrect rates according to the Policies and Rates Section in the Rate Manual. This resulted in overcharges of \$1,935.02 and undercharges of (\$83.08). Two (2) violations were the result of the Company charging incorrect amounts for endorsements according to the Endorsements and Rates Section in the Rate Manual. This resulted in overcharges of \$50.00 and undercharges of (\$50.00). Five (5) violations were the result of the Company charging inappropriate charges and/or pass through charges under Sections 1100 and 1200 of the HUD-1 sheet according to Section 2.1 and Section 3.4 in the Rate Manual. This resulted in overcharges of \$310.00. The remaining violation was the result of the Company charging an inappropriate charge and/or pass through charge under the Section 1300 of the HUD-1 sheet according to Section 2.1 and Section 3.4 in the Rate Manual. This resulted in an overcharge of \$50.00.

D. 17 Violations as a result of charging excess settlement and/or closing fees and not properly disclosing information on the HUD-1 settlement sheets. These are violations of the Unfair Insurance Practices Act, the Act of July 22, 1974, P.L. 589, No. 205, Section 4, as amended 40 P.S. §1171.4 which:

Requires no person shall engage in this state in any trade practice which is defined or determined to be an unfair method of competition or an unfair or deceptive act or practice in the business of insurance pursuant to this act.

Of the 17 violations noted, 14 violations were the result of the Company charging settlement or closing cost fees without demonstrating that an advance written notice was given to the applicant. The remaining three (3) violations noted were the result of the Company not properly disclosing information on the HUD-1 settlement sheet.

VI. FORMS

All files were reviewed to verify the use of Department approved forms in compliance with the Insurance Company Law at 40 P.S. §477b, Approval of Policies, Contracts, etc., Prohibiting the Use Thereof Unless Approved. During the experience period of the examination, the Insurance Company Law provided that it shall be unlawful for any insurance company to issue, sell, or dispose of any policy contract or certificate covering fire, marine, title and all forms of casualty insurance or use applications, riders, or endorsements in connection therewith, until the forms have been submitted to and formally approved by the Insurance Commissioner. No violations were noted.

VII. LICENSING

In order to determine compliance with the licensing requirements of the Insurance Company Law at 40 P.S. §§910-24 - 910-31, the Company was asked to provide a list of active agents during the experience period. In addition, the Company was asked to submit a list of all agents whose contracts or agency agreements were canceled during the experience period. The Company's policy files were also reviewed for the purpose of identifying agents.

The following findings were made:

A. 2 Violations as a result of the Company's failure to certify a list of its appointed agents. These are violations of the Insurance Company Law at 40 P.S. §910-25 which:

Requires every title insurance company to certify to the commissioner the names of all agents appointed by it in this Commonwealth.

The following agents were found to be writing policies without having an appointment. The Company failed to file a notice of appointment and submit appointment fees to the Department.

Agent
Gibbel, Karybill & Hess
Shaw, Andrew H

VIII. DEPARTMENT CONCERNS

The Department notes concerns involving business practices related to closing and/or settlement costs which practices may not be within the Company's direct control or direction. Accordingly, such practices are not designated herein as title violations by the Company, as within the Department's regulatory authority. These concerns were brought to the attention of the Company for their review and response.

Related to the appropriateness of closing and/or settlement costs, the Company noted that it does not receive compensation or payment for anything other than the actual title insurance. As a general rule, the Company does not request or require documentation to support charges listed on HUD settlement sheets as a precondition to issuing a policy, because the charges do not constitute insurance premium. Another frequently noted concern was that, in many cases, the title or settlement agent was unable or unwilling to produce to the Company, documentation to support charges made. As such, in many cases, the third party charges could not be supported by documentation.

Some of the more frequently noted concerns involved charges for delivery fees, which ranged from \$15.00 to \$100.00, and email document preparation, ranging from \$35.00 to \$65.00. Numerous charges were also noted for wire fees, ranging from \$10.00 to \$30.00, and settlement/closing fees from no charge to \$250.00. Other fees noted included attorney fees, ranging from no charge to \$350.00, and conveyance fees from no charge to \$100.00.

These concerns were not uniform or consistent, in that they were not identified in every file reviewed. Also, there was wide disparity in the number of concerns involving fees and the corresponding charges made, supporting the fact there is a

general lack of uniformity in the settlement process. One conclusion may be that this puts the consumer at a disadvantage, resulting in potentially higher costs.

IX. RECOMMENDATIONS

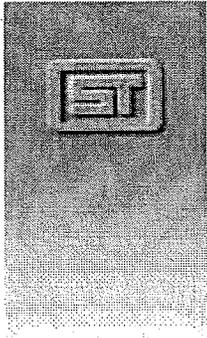
The recommendations made below identify corrective measures the Department finds necessary as a result of the number of some violations, or the nature and severity of other statutory or regulatory violations, noted in the Report.

1. The Company must reinforce internal controls to ensure that all records and documents are maintained in accordance with the Insurance Department Act and the Insurance Company Law so that violations noted in the Report do not occur in the future.
2. The Company must make quarterly filings with the Department for additional charges in especially difficult title matters, special fees for affirmative risks coverages and policies issued in excess of the filed rate as required. This is to ensure that violations noted under the Insurance Company Law at 40 P.S. §910-37(a) do not occur in the future.
3. The Company must review the Insurance Company Law at 40 P.S. §910-37(h) and must take appropriate measures to ensure the rating violations listed in the Report do not occur in the future. The overcharges noted in the Rating Section of this Report must be refunded to the insureds and proof of such refunds must be provided to the Insurance Department within 30 days of the Report issue date.
4. The Company must implement procedures with its agents to ensure that each agent provides the consumer, in advance of the day of closing, a written notice that an additional expense may be incurred when scheduling a closing out-of-office or after-hours. This is to ensure that violations of the Unfair Insurance Practices Act at 40 P.S. §1171.4 noted in the Report do not occur in the future.

5. The Company must implement procedures to ensure that the violations of the Unfair Insurance Practices Act at 40 P.S. §1171.4, regarding the proper disclosure of information on the HUD-1 settlement sheet noted in the Report, do not occur in the future.

6. The Company must ensure that all agents are properly appointed, as required by the Insurance Company Law at 40 P.S. §910-25 prior to accepting business from an agent.

X. COMPANY RESPONSE



THE
SECURITY TITLE GUARANTEE CORPORATION OF BALTIMORE

May 14, 2009

Pennsylvania Insurance Department
Bureau of Market Conduct
Property and Casualty Division
1227 Strawberry Square
Harrisburg, PA 17120
Attn: Chester A. Derk, Jr. AIE, HIA
Market Conduct Division Chief

Re: Examination Warrant Number: 07-M19-011

Dear Mr. Derk:

We acknowledge receipt of the Report of Examination of The Security Title Guarantee Corporation of Baltimore covering the period of January 1, 2006 through December 31, 2006. This letter is intended as our response to the findings set forth therein.

Rating

Our Company makes every effort, within the limitations of industry practices, to assure that the rates charged by our agents are only rates and fees approved or permitted under its filings with the Pennsylvania Insurance Department. These efforts include:

1. Conducting annual audits of our agents' escrow and operating practices. These audits primarily focus on verifying the integrity of funds held in each agent's trust account; however, we also attempt to ensure that the all-inclusive or approved attorney rate charged is accurate. In the past, there has been no detailed analysis of the properness or amount of pass-through charges, special fees or non-filed charges imposed by our agents. The findings outlined in your report have been brought to the attention of our audit staff so that they may be aware of and include a review of the accuracy of such fees while conducting each audit. However, due to time and cost limitations, the detail of this review will, by necessity be somewhat limited.
2. To minimize errors in the calculation and charging of the all-inclusive and approved attorney rates, as well as for the most commonly issued endorsements, the company encourages its agents to utilize its on-line rate calculator which has been programmed with its filed and approved rates.
3. As individual risks are reported to the company, we recalculate the all-inclusive rate or approved attorney rate based on the policy amount, date, and any discount or extra hazardous risk information provided by the agent. If an overcharge is determined to have been made, a refund check is forwarded to the agent with instruction to issue a check to the insured in an amount that includes the agent's excess commission retained on the amount of the overcharge. Similarly, if insufficient funds are determined to have been collected, an invoice is issued to the agent for the amount of the shortage.

4. During the course of the Market Conduct Examination, we amended our Premium Remittance form to include a space for reporting special and pass-through charges and sent the revised form to our agents along with a memorandum reminding them of the need to document the appropriateness of special and pass through charges and to report same to our company. We will attempt to send a quarterly reminder to all Pennsylvania agents to remit a separate report of any such fees not included on that form.

While we intend to improve the accuracy of the reporting of these fees, our company conducts business in Pennsylvania only through independent agents. As independent agents, we have limited control over individual risks they assume and fees they charge, therefore, our ability to completely eliminate improper fees or the reporting of permitted special fees is limited. During the course of your examinations, you may have discovered processes implemented by other title insurers that have been effective in improving the collection and reporting of this information. If so, we would appreciate any information or recommendations you can make to improve our data collection.

As you note in the "Department Concerns" section of the report, because these special fees, pass-through charges, and non-filed charges were sums collected by agents, not the company, and because these fees were not reported to or shared with the company, the company did not violate the Insurance laws referenced in the report. These were violations by agents done without the knowledge or authority of the company; accordingly, we disagree with the reference to improper charges being made by the company as set forth in the report.

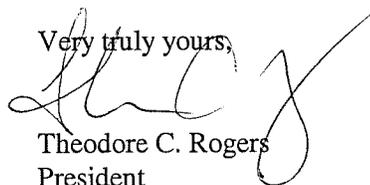
Licensing

We acknowledge the failure to appoint one agency, Gibbel, Kraybill & Hess, though we did appoint all individuals authorized to represent the company through that agency. We also acknowledge our failure to appoint one agent. Both instances were a matter of oversight as indicated by the fact that we had properly appointed over 120 agents during the period under review.

These errors were due, in part, to changes in the appointment process implemented by the Pennsylvania Insurance Department. Previously, we ensured that all agents and agencies were properly appointed by requiring a completed copy of the appointment form to be included with each new agency contract or with each addendum to an existing contract that adds or removed an agent or changed the name of an agency. That form was signed simultaneously with our execution of the contract or addendum, thus ensuring that all agencies and agents were correctly appointed. The Department now requires a single form to be filed monthly, listing all agents and agencies appointed during the preceding month which increases the potential to inadvertently fail to include an entity on the list. Nonetheless, our licensing specialist has been advised of the failure to appoint these producers and efforts have been undertaken to prevent a recurrence.

We wish to emphasize that our company takes seriously its obligation to comply with the laws and regulations of the Commonwealth of Pennsylvania. At no time have we condoned or permitted activities contrary to the interests of our Pennsylvania policyholders, and we will continue to strive to improve our processes and controls over our agency representatives to minimize the likelihood of their intentional or unintentional violation of these laws and regulations.

Very truly yours,



Theodore C. Rogers
President