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Department of Insurance
State of Idaho

Attorneys for the Department of Insurance

BEFORE THE DIRECTOR OF THE DEPARTMENT OF INSURANCE

STATE OF IDAHO

In the Matter of:

TITLEONE CORPORATION
[Canyon County]

Idaho Title Agency License No. 85709

Docket No. 18-3260-16

**ORDER ADOPTING REPORT
OF EXCEPTION EXAMINATION
AS OF DECEMBER 31, 2015**

The State of Idaho, Department of Insurance (Department), having conducted an examination of the affairs, transactions, assets, tract indexes, abstract records, and any other records of TITLEONE CORPORATION (TitleOne), to ascertain compliance with title 41, Idaho Code, and related rules, pursuant to Idaho Code §§ 41-2710(7) and 41-219(1) and (5), hereby alleges the following facts that constitute a basis for issuance of an order, pursuant to Idaho Code § 41-227(5)(a), adopting the Report of Exception Examination of TitleOne Corporation [Canyon County] for the Period January 1, 2011 to December 31, 2015 (Report), as filed.

FINDINGS OF FACT

1. TitleOne is a title agency licensed by the Department to transact title insurance in

Canyon County, Idaho, under Title Agency License No. 85709.

2. The Department completed an examination of TitleOne pursuant to Idaho Code §§ 41-2710(7) and 41-219(1) and (5) on or about October 25, 2016. The Department's findings are set forth in the Report.

3. Pursuant to Idaho Code § 41-227(4), a copy of the Report was filed with the Department on October 25, 2016, and was transmitted to TitleOne on October 26, 2016. A copy of the Report is attached hereto as Exhibit A.

4. Pursuant to Idaho Code § 41-2710(7), TitleOne had twenty-eight (28) days from service of the Report within which to review, comment, or request a hearing on the Report.

5. No request for hearing, written submission, or rebuttal with respect to any matter contained in the Report was received by the Department from TitleOne.

CONCLUSIONS OF LAW

6. Idaho Code § 41-227(5)(a) provides that, after expiration of "the period allowed for the receipt of written submissions or rebuttals, the director shall fully consider and review the report, together with any written submissions or rebuttals and relevant portions of the examiner's work papers" and shall enter an order adopting the report of examination as filed or with modifications or corrections.

7. Having fully considered the Report, the Director concludes that, with regard to the matters examined and information provided by TitleOne, the comments and recommendations contained in the Report, including the Examiner's determination of violations of Department rules by TitleOne and corrective actions to be taken identified at page 11 of the Report, Exhibit A, are appropriate and are incorporated herein as if set forth in full.

ORDER

NOW, THEREFORE, based on the foregoing, IT IS HEREBY ORDERED that the Report of Exception Examination of TitleOne Corporation [Canyon County] for the Period January 1, 2011 to December 31, 2015, is hereby ADOPTED as filed, pursuant to Idaho Code § 41-227(5)(a).

IT IS FURTHER ORDERED, pursuant to Idaho Code §§ 41-2710(7) and 41-227(8), that the adopted Report is a public record and shall not be subject to the exemptions from disclosure provided in chapter 1, title 74, Idaho Code.

IT IS FURTHER ORDERED, pursuant to Idaho Code § 41-227(6)(a), that, within thirty (30) days of the issuance of the adopted Report, TitleOne shall file with the Department's Examiner Title & Market Insurance Specialist affidavits executed by each of its directors or, if none, its principal officers, stating under oath that they have received a copy of the adopted Report and related orders.

IT IS FURTHER ORDERED that, no later than thirty (30) days from the date of verification of the Report attached hereto, TitleOne shall prepare and distribute written procedures for its staff regarding proper handling and billing of title commitment cancellation fees. A copy of such procedures or instructions shall simultaneously be provided to the Department.

IT IS FURTHER ORDERED that an administrative penalty in the amount of two thousand seven hundred dollars (\$2,700.00) is imposed against TitleOne, pursuant to IDAPA 18.01.25.004.01 and 18.01.56.018.01; provided, however, that such penalty is waived subject to the following:

- The Department retains the right to perform a target examination at any time regarding

cancellations and billings for such cancellations and to impose new penalties based on findings of violation; and

- TitleOne shall provide to the Department, by no later than June 30, 2017, a report of all cancellations of title commitments for the period December 1, 2016, through May 31, 2017. Such report shall be provided in the manner and include such information as prescribed by the Department.

IT IS SO ORDERED.

DATED this 27 day of December, 2016.

STATE OF IDAHO
DEPARTMENT OF INSURANCE



DEAN L. CAMERON
Director

NOTIFICATION OF RIGHTS

This Order constitutes a final order of the Director. Any party may file a motion for reconsideration of this final order within fourteen (14) days of the service date of this order. The Director will dispose of the petition for reconsideration within twenty-one (21) days of its receipt, or the petition will be considered denied by operation of law. *See*, Idaho Code § 67-5246(4).

Pursuant to Idaho Code §§ 67-5270 and 67-5272, any party aggrieved by this final order may appeal it by filing a petition for judicial review in the district court of the county in which: (1) the hearing was held; or (2) the final agency action was taken; or (3) the aggrieved party resides or operates its principal place of business in Idaho; or (4) the real property or personal property that was the subject of the agency decision is located. An appeal must be filed within twenty-eight (28) days of: (a) the service date of this final order; or (b) an order denying a petition for reconsideration; or (c) the failure within twenty-one (21) days to grant or deny a petition for reconsideration, whichever is later. *See*, Idaho Code § 67-5273. The filing of a petition for judicial review does not itself stay the effectiveness or enforcement of the order under appeal.

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that, on this 20th day of December, 2016, I caused a true and correct copy of the foregoing ORDER ADOPTING REPORT OF EXCEPTION EXAMINATION AS OF DECEMBER 31, 2015, to be served upon the following by the designated means:

Cameron McFadden
General Counsel
TitleOne Corporation
1101 W. River Street, Ste. 201
Boise, ID 83702-7068
cmcfadden@titleonecorp.com

- first class mail
- certified mail
- hand delivery
- email

TitleOne Corporation
5660 E. Franklin Road, Ste. 101
Nampa, ID 83687-8174

- first class mail
- certified mail
- hand delivery
- email

Georgia Siehl, CPA, CFE
Bureau Chief / Chief Examiner
Idaho Department of Insurance
700 W. State Street, 3rd Floor
Boise, ID 83720-0043
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- certified mail
- hand delivery
- email





REPORT OF EXCEPTION EXAMINATION
For the Period January 1, 2011 to December 31, 2015
of
TITLEONE CORPORATION
(a title agent corporation - license #85709 - Canyon County)
as of
December 31, 2015

Equal Opportunity Employer



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Boise, Idaho
October 25, 2016

The Honorable Dean L. Cameron
Director of the Idaho Department of Insurance
700 West State Street
Boise, Idaho 83720

Sir:

Pursuant to your instructions and in conformity with Idaho Code §§ 41-219, 41-220, and 41-2713, an examination has been made of the administrative affairs, books, records and financial condition of;

TitleOne Corporation
5660 East Franklin Road, Suite #101
Nampa, Idaho 83687
License #84709 - Canyon County

Hereinafter referred to as "Title Agent".

The following Report of Exception Examination is respectfully submitted.

FOREWORD

This is an exception examination report of the practices and procedures of TitleOne Corporation (Title Agent) an Idaho Title Agent licensed in Canyon County. However, failure to identify or criticize specific products, procedures or files does not constitute approval thereof by the Idaho Department of Insurance (the Department).

The title and escrow file portion of the examination was conducted at the Title Agent's home offices located at 1101 West River Street, Suite #201 in Boise, Idaho. The remaining portions of the examination was conducted at the Department's offices located at 700 W. State Street in Boise, Idaho. In performing this examination, the examiner(s) reviewed a sample of the Title Agent's procedures, files, and documentation. Some noncompliant practices may not have been discovered during this examination. As such, this report may not fully reflect all of the procedures and practices of the Title Agent.

During the examination, the examiner(s) may cite violations made by the Title Agent. Statutory citations are as of the period under examination unless otherwise noted. The goal of the examination team was to produce an examination report that reflects agreement in content with the Title Agent. The report indicates where agreement was not possible.

The final examination report documents consist of the examiners' report, the Title Agent's response if elected, and any administrative actions based on the findings of the Department.

PURPOSE AND SCOPE OF EXAMINATION

The purpose of this examination is to determine compliance with applicable Idaho Statutes and regulations, and rules promulgated by the Department. In addition, examiners may have documented practices and procedures that did not appear to be in the best interest of Idaho insurance consumers.

The period covered by this examination is January 1, 2011 through December 31, 2015. Specific areas examined include operations/management, claims, advertising and marketing, title file review and escrow fiduciary account and file review.

The Department's authority to conduct this examination includes, but is not limited to, Idaho Code § 41-2710(7), which grants authority for regular examinations of a title agent's tract indexes, abstract records, and any other records to ascertain compliance with title 41, Idaho Code, and related rules, to occur not more than every fifth year, unless the agent otherwise requests or the director has cause to believe the same does not comply with said title or the rules thereunder.

HISTORY AND DESCRIPTION

TitleOne Corporation was formed and incorporated on May 3, 2000. They became licensed with the Department in Canyon County and began operations on March 5, 2001. They conduct business in Canyon County out of offices at 5660 E. Franklin Road, Suite #101 in Nampa, Idaho.

PRIOR EXAMINATION

This examination included a review to determine if exceptions were noted in our preceding report of examination dated May 19, 2011 which covered the period January 1, 2006 through December 31, 2010 and whether these exceptions were addressed. There were no exceptions noted. No exceptions were noted as a result of this current examination.

PRIOR ESCROW AUDIT

This examination included a review to determine if exceptions were noted in the August 2015 escrow audit which covered the period July 1, 2012 through June 30, 2015. Three (3) exception conditions were noted. We determined that the Title Agent satisfactorily addressed all three of those exceptions in October of 2015. No exceptions were noted as a result of this current examination.

SUMMARY OF FINDINGS AND RECOMMENDATIONS

I. OPERATIONS AND MANAGEMENT

This examination included a review of the Title Agent's operations and management. The focus of this section of the examination includes review of management and control, contracting authority, surety bond, claims, and financial interests of the title entity management and ownership.

A. MANAGEMENT, CONTROL AND FINANCIAL INTERESTS **IDAPA 18.01.39.011, 012 & 013**

The corporate officers are Cameron McFaddan as the current registered agent and Secretary, Mark Tidd as Chief Executive Officer, Doug Brigham as President and Randy Rabehl as Treasurer. The Directors are Mark Tidd, Mike Keller, David Turnbull, Robb Warwick and Doug Brigham. Jill Farwell is the Canyon County Team Leader. No exceptions were noted as a result of this examination.

B. CONTRACTING AUTHORITY **Idaho Code § 41-2710(2)**

The Title Agent has underwriting contracts with Commonwealth Land Title Insurance Company, Fidelity National Title Insurance Company, Stewart Title Guaranty Company, Chicago Title Insurance Company and Westcor Land Title Insurance Company. The underwriting contracts require a high liability approval ranging from \$750,000.00 to \$4,000,000.00. Deductible for claim loss range from \$2,500.00 to \$5,000.00. No exceptions were noted as a result of this examination.

C. SURETY BOND **Idaho Code §§ 41-2710(6), 2711** **IDAPA 18.01.25.011.08 & 09**

The Department has on file surety bond #0512021 in the amount of \$50,000.00 issued by Cincinnati Insurance Company on behalf of the Title Agent. The examination confirmed this bond to be currently active. No exceptions were noted as a result of this examination.

D. CLAIMS **Idaho Code § 41-2708(1) & (2)**

The Title Agent reported seventy (70) claim losses totaling \$528,327.57 with a recoupment of \$147,885.65 for the examination period. The claims do not appear to be an oversight on the part of the Title Agent and were remedied prior to our examination. Additionally, we did not find material issues with the title plant during the examination. No exceptions were noted as a result of this examination.

II. ADVERTISING AND MARKETING

Idaho Code § 41-2708(3) & (4)

IDAPA 18.01.39.014 & 18.01.56

This examination included a review of the agent's marketing and sales practices. A general ledger for each year under examination for all accounts involving contributions, donations, sales expenses, travel and meal expenses, Title Agent/staff function expenses, as well as samples of listing packages or property profiles were requested and received. After a cursory review of the general ledgers, samples were picked within our examination parameters. Supporting documents for the samples were requested, received and reviewed. No exceptions were noted as a result of the examination.

III. TITLE FILE REVIEW

Idaho Code §§ 41-2702, 2708 & 2709

IDAPA 18.01.25 & 18.01.56.017 & Exhibit 1(9)

The Title Agent's Title Department is managed by Amy Wilcoxson and is comprised of nineteen (19) title officers and twelve (12) assistants. The title plant is leased from Alliance Title Corporation and is posted and maintained at their corporate offices located at 9288 W. Emerald Street in Boise, Idaho. A sample of title files were reviewed within the parameters of our examination for the rates charged, the correct insured amount of the owner's and mortgagee's policies, proper countersignatures, double sales, proper use of the Standards of Liability and liens and encumbrance rules, cancellation fees, and unique kind or class of risk.

During the examination, the following exceptions regarding the charging for and/or failing to make efforts to collect cancellation fees was noted:

Commitment #14242574 cancelled after 07/23/14 and no cancellation fee was charged.
Commitment #14244294 cancelled after 07/23/14 and no cancellation fee was charged.
Commitment #15246929 cancelled after 07/23/14 and no cancellation fee was charged.
Commitment #15248695 cancelled after 07/23/14 and no cancellation fee was charged.
Commitment #15255228 cancelled after 07/23/14 and no cancellation fee was charged.
Commitment #15255237 cancelled after 07/23/14 and no cancellation fee was charged.
Commitment #15255365 cancelled after 07/23/14 and no cancellation fee was charged.
Commitment #15255823 cancelled after 07/23/14 and no cancellation fee was charged.
Commitment #15257433 cancelled after 07/23/14 and no cancellation fee was charged.

Pursuant to IDAPA 18.01.25.004.01...“where a preliminary report is issued, the order for the policy may be canceled prior to closing upon applicant being required to pay a cancellation charge of fifty percent (50%) of the premium with a minimum of fifty dollars (\$50) provided that any portion of the charge in excess of one hundred dollars (\$100) may be waived...”

IDAPA 18.01.25.004.02.d provides that no title insurance agent shall “issue a title insurance binder, commitment or preliminary report without an order and without making a charge therefor if a policy is not issued thereon....”

Furthermore, pursuant to IDAPA 18.01.56, EXHIBIT 1.9...“A title entity shall not waive a cancellation fee, fail to charge for a cancellation fee, or otherwise fail to make efforts to collect a cancellation fee from the recipient of services provided by the title entity.” When a title commitment issued by a title agent in response to an order does not result in a policy of title insurance, the title agent must charge a cancellation fee in the amount required by the rules and make an effort to actually collect the cancellation fee. IDAPA 18.01.39.10.04 and 18.01.56.010.05 define uncollected cancellation fees for title commitments as “things of value.” Additionally, providing things of value such as uncollected cancellation fees to a customer is considered an illegal inducement.

On July 23, 2014 an advisory addressing the issues on charging and collection of cancellation fees was issued by the Department to all title agents. Within that advisory, agents were reminded that providing things of value such as uncollected cancellation fees to a customer is considered an illegal inducement.

The Title Agent was in violation of IDAPA 18.01.25.004.01, 18.01.25.004.02.d, 18.01.56, EXHIBIT 1.9, and 18.01.56.11 by not charging cancellation fees.

Recommendations

It is recommended that the Title Agent submit to the Department in writing what proposed procedures will be implemented to ensure that all future cancellations of title commitments are compliant with IDAPA 18.01.25.004.01 and IDAPA 18.01.56, EXHIBIT 1.9.

It is also recommended that the Director enter an order for administrative penalties as a result of violating IDAPA 18.01.25.004.01, 18.01.25.004.02.d, 18.01.56, EXHIBIT 1.9, and 18.01.56.11 in the amount of \$2,700.00.

IV. ESCROW FIDUCIARY ACCOUNTS AND FILE REVIEW

The Title Agent's Escrow Department is managed by Patty Coulter and is comprised of six (6) escrow officers and six (6) assistants.

A. FIDUCIARY ACCOUNTS

IDAPA 18.01.25.011.04, 05 & 10

This examination included a review of the fiduciary accounts utilized during the examination period. The accounts were reviewed for correct labeling, separation from operating funds, reconciliation, and negative balances. There are five (5) fiduciary accounts for this office that are balanced on a daily basis and reconciled on a monthly basis by Mary Rogers. Monthly reconciliations are reviewed by Canyon County Team Leader Jill Farwell. No exceptions were noted as a result of this examination.

B. ESCROW FILE REVIEW

Idaho Code § 41-2705(3)

IDAPA 18.01.25.011 & 12, 18.01.56.017

A sample of the escrow files were reviewed within the parameters of our examination for adequate written instructions, conformity to the written instructions by the Title Agent, rates charged as filed, signed settlement statements, receipt and disbursement ledgers, evidence of receipts and disbursements made, file overdrafts, and business interests of the escrow officers. No exceptions were noted as a result of this examination.

CONCLUSION

I certify and attest that I have examined the Title Agent's tract indexes, abstract records, as well as other records, and the operation of the Title Agent's business and other matters relevant to the affairs of the Title Agent. I further certify that I have no relationship, other than in my capacity as examiner and/or regulator, with the Title Agent or its employees and that no conflict of interest exists that would prevent me from conducting the examination. I acknowledge the assistance and cooperation of the Title Agent's employees during the examination. Based on my examination, I prepared this Examiner's Report of Exceptions (the "Report") in accordance with Idaho Code § 41-2710(7). I confirm that the findings, conclusions, and recommendations contained in this Report are my own.

Respectfully submitted,



Jim Scanlon
Examiner Title & Market Insurance Specialist
Idaho Department of Insurance

PENALTY, STIPULATIONS AND APPEAL NOTIFICATION

This matter comes before the Idaho Department of Insurance (“Department”) as a result of this Report of Exception Examination (“Examination”). The Department has fully considered and reviewed this Examination, the written submissions and rebuttals provided October 12, 2016, by the Title Agent in response to the Examination, and the recommendations of the Examiner.

The Department makes the following findings of fact and imposes penalties and stipulations:

1. The Title Agent, on nine (9) occasions, failed to charge cancellation fees for cancelled title commitments. These failures constitute violations of IDAPA 18.01.25.004.01, 18.01.25.004.02.d, 18.01.56, EXHIBIT 1.9, and 18.01.56.11.

No later than thirty (30) days from the date this Examination was verified, the Title Agent is required to prepare and distribute written procedures for its staff regarding proper handling and billing of title commitment cancellation fees. A copy of such procedures/instructions and internal audit procedures should also be provided to the Department within the same time frame.

The Department shall assess a penalty in the amount of \$2,700.00 in accordance with IDAPA 18.01.25.004.01 and 18.01.56.018.01. However, the Department waives this penalty with the stipulation and understanding that the Department retains the right to perform a target exam anytime in the future regarding cancellations and billings for such cancellations and impose new penalties based on any findings of violations. The Department requires the Title Agent to provide a report to the Department of all cancellations of title commitments for the period December 1, 2016 through May 31, 2017 with the information in the Excel format attached. This report is due June 30, 2017.

Pursuant to Idaho Code § 41-2710(7), you have twenty eight (28) days to review, comment and request a hearing regarding these findings. Unless a hearing is requested in accordance with Idaho Code §§ 41-227(5) and (6), 41-232(2)(b), or elsewhere in the Idaho Code within the twenty eight (28) day review period, the Director will issue an order adopting the report and it shall be deemed available to the public.

I certify that on this 25th day of October, 2016, I submitted a final copy of this Report to the Director of the Idaho Department of Insurance and served a final copy of the same by Electronic Mail to:

Cameron McFaddan
General Counsel
TitleOne Corporation
5660 East Franklin Road, Suite #101
Nampa, Idaho 83687
cmcfaddan@titleonecorp.com

SUBSCRIBED AND SWORN to before me this 25th day of October, 2016.

Mandy M. Ary

Notary Public for Idaho

Residing at: Boise, Idaho

Commission Expires: 7/24/18



Jim Scanlon
Examiner Title & Market Insurance Specialist
Idaho Department of Insurance

