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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:

STEWART TITLE COMPANY
[Ada County]

Idaho Title Agency License No. 319890

Docket No. 18-3370-17

**ORDER ADOPTING REPORT
OF EXCEPTION EXAMINATION
AS OF DECEMBER 31, 2016**

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 STEWART TITLE COMPANY (“Stewart Title”) 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 Stewart Title Company [Ada County] for the Period January 1, 2012 to December 31, 2016 (“Report”), as filed.

FINDINGS OF FACT

1. Stewart Title is a title agency licensed by the Department to transact title insurance

in Ada County, Idaho, under Title Agency License No. 319890.

2. The Department completed an examination of Stewart Title pursuant to Idaho Code §§ 41-2710(7) and 41-219(1) and (5) on or about September 8, 2017. 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 September 8, 2017, and was transmitted to Stewart Title on the same date. A copy of the Report is attached hereto as Exhibit A.

4. Pursuant to Idaho Code § 41-2710(7), Stewart Title 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 Stewart Title.

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 Stewart Title, the comments and recommendations contained in the Report 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 Stewart Title Company [Ada County] for the Period January 1, 2012

to December 31, 2016, 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, Stewart Title 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 SO ORDERED.

DATED this 25th day of October, 2017.

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 31st day of October, 2017, I caused a true and correct copy of the foregoing ORDER ADOPTING REPORT OF EXCEPTION EXAMINATION AS OF DECEMBER 31, 2016, to be served upon the following by the designated means:

Stewart Title Company
Jeni Sexton, President
1944 S. Eagle Road, Meridian, ID 83642
jsexton@stewart.com

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

Nathan Faragher
Chief Examiner, Company Activities Bureau Chief
Idaho Department of Insurance
700 W. State Street, 3rd Floor
P.O. Box 83720
Boise, ID 83720-0043
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- first class mail
- certified mail
- hand delivery
- email

Judy L. Geier
Deputy Attorney General
Idaho Department of Insurance
700 W. State Street, 3rd Floor
P.O. Box 83720
Boise, ID 83720-0043

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





REPORT OF EXCEPTION EXAMINATION
For the Period January 1, 2012 to December 31, 2016

Of

Stewart Title Company
(A title agent corporation - license #319890 – Ada County)

As of

December 31, 2016

Equal Opportunity Employer



Table of Contents

SALUTATION.....	3
FOREWORD.....	4
PURPOSE AND SCOPE OF EXAMINATION.....	5
HISTORY AND DESCRIPTION.....	5
PRIOR EXAMINATION.....	5
PRIOR ESCROW AUDITS.....	5
SUMMARY OF FINDINGS AND RECOMMENDATIONS.....	6
I. OPERATIONS AND MANAGEMENT.....	6
A. MANAGEMENT, CONTROL AND FINANCIAL INTERESTS.....	6
B. CONTRACTING AUTHORITY.....	6
C. SURETY BOND.....	6
D. CLAIMS.....	6
II. ADVERTISING AND MARKETING.....	7
III. TITLE FILE REVIEW.....	7
IV. ESCROW FIDUCIARY ACCOUNTS AND FILE REVIEW.....	7
A. FIDUCIARY ACCOUNTS.....	7
A. ESCROW FILE REVIEW.....	8
CONCLUSION.....	9

Boise, Idaho
September 8, 2017

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;

Stewart Title Company
1944 S Eagle Road
Meridian, Idaho 83642-2452
License #319890 – Ada County

Hereinafter referred to as the “Agent”.

The following Report of Exception Examination is respectfully submitted.

FOREWORD

This is an exception examination report of the practices and procedures of Stewart Title Company an Idaho Title Agent licensed in Ada 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 examination was conducted at the Agent's offices located at 1944 S Eagle Road, in Meridian, Idaho and at the offices of the Idaho Department of Insurance located at 700 W State Street, in Boise. In performing this examination, the examiner(s) reviewed a sample of the 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 Agent.

During the examination, the examiner(s) may cite violations made by the 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 agent. The report indicates where agreement was not possible.

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

PURPOSE AND SCOPE OF EXAMINATION

The purpose of this examination is to determine compliance with applicable Idaho Statutes, Idaho Department of Insurance regulations, and promulgated rules issued 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, 2012 through December 31, 2016. Specific areas examined include operations/management, claims, advertising and marketing, title file review and escrow fiduciary account and file review.

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

HISTORY AND DESCRIPTION

Stewart Title Company was issued a Certificate of Authority with the Idaho Secretary of State on June 12, 2009. They merged with Stewart Title of Coeur D' Alene, Inc. and Stewart Title of Boise, Inc. on June 25, 2009. They were licensed in Ada County with the Idaho Department of Insurance on June 30, 2009. They conduct business in Ada County out of offices in Boise, Meridian and Eagle, Idaho.

PRIOR EXAMINATION

Our examination included a review to determine if exceptions were noted in our preceding report of examination dated April 11, 2012 which covered the period January 1, 2007 to December 31, 2011 and whether these exceptions were addressed. No exceptions were noted. No exceptions were noted as a result of this portion of the examination.

PRIOR ESCROW AUDITS

Our examination included a review to determine if the five (5) exceptions noted in the December 31, 2014 escrow audit completed by Mr. John Wolf of Deloitte & Touche LLP which covered the period July 1, 2011 through June 30, 2014 were addressed. We determined that the agent satisfactorily addressed these exceptions in February of 2015. No exceptions were noted as a result of this portion of the examination.

SUMMARY OF FINDINGS AND RECOMMENDATIONS

I. OPERATIONS AND MANAGEMENT

The examination included a review of the 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**

As of December 31, 2016, the Idaho Secretary of State lists the corporate officers as Matthew W. Morris President and Director, J. Denise Carraux Secretary, Kenneth Anderson Jr. Treasurer, John L. Killea Director and J. Allen Berryman Director. The current registered agent is CT Corporation System. Jeni Sexton is the Division President and Patty Hughes is the Administrator. No exceptions were noted as a result of this portion of the examination.

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

This agent has an underwriting contract with Stewart Title Guaranty Company. The underwriting contract requires a high liability approval of \$3,000,000 with a \$5,000.00 deductible for loss. No exceptions were noted as a result of this portion of the examination.

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

The Idaho Department of Insurance has on file surety bond # 5936758 in the amount of \$50,000.00 issued by Safeco Insurance Company of America on behalf of the agent. We confirmed during the examination that this bond is currently active. No exceptions were noted as a result of this portion of the examination.

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

The agent reported five (5) claims during the examination period. The claims appear to be disputes of boundary lines, water easements and scrivener's errors and appear to be in the process of remediation. Additionally, we did not find material issues with the title plant during the examination. No exceptions were noted as a result of this portion of the examination.

II. ADVERTISING AND MARKETING

Idaho Code § 41-2708(3) & (4)

IDAPA 18.01.39.014 & 18.01.56

The 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 this portion 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 Michael C. Anderson and is comprised of two (2) title officers. The title plant is posted and maintained by the Title Agent 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. No exceptions were noted as a result of this portion of the examination.

IV. ESCROW FIDUCIARY ACCOUNTS AND FILE REVIEW

The Title Agent's Escrow Department is managed by Linda McGrath and Rowena Burnum and is comprised of six (6) escrow officers, four (4) technicians and five (5) escrow assistants.

A. FIDUCIARY ACCOUNTS

IDAPA 18.01.25.011.04, 05 & 10

The examination included a review of the fiduciary accounts utilized during the examination period. The account was reviewed for correct labeling, separation from operating funds, reconciliation, and negative balances. The fiduciary account for this office is balanced on a daily basis and reconciled on a monthly basis by the corporate accounting department in Las Vegas, Nevada. Monthly reconciliations are reviewed locally by Ms. Jeni Sexton, Division President. No exceptions were noted as a result of this portion of the examination.

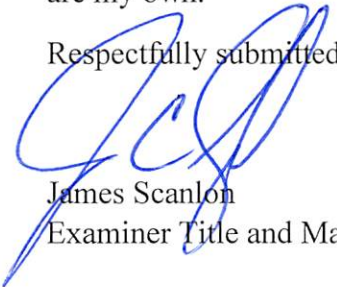
A. ESCROW FILE REVIEW
Idaho Code § 41-2705(3)
IDAPA 18.01.25.011 & 12, 18.01.56.017

The examination included a review of the escrow files opened during the examination period. 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 portion of the examination.

CONCLUSION

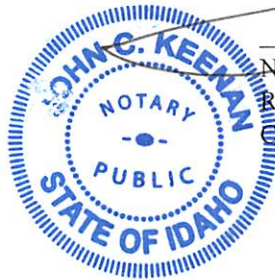
I certify and attest that I have examined the Title Agent's tract indexes, abstract records, as well as other records, and the operation of the Title Agent's business and other matters relevant to the affairs of the Title Agent. I further certify that I have no relationship, other than in my capacity 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,



James Scanlon
Examiner Title and Market Insurance Specialist

SUBSCRIBED AND SWORN to before me this 27 day of September, 2017.





Notary Public for Idaho
Residing at: BOISE
Commission Expires: 30 Oct 2019