

Chicago Title Insurance Company

NAIC Number: 50229

**Report of the Targeted Market Conduct Examination for
the Period January 1, 2015 through December 31, 2017**

October 21, 2019

FINAL REPORT

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SALUTATION

October 21, 2019

Andrew N. Mais
Insurance Commissioner
Connecticut Insurance Department
153 Market Street, 7th Floor
Hartford CT 06103

Commissioner Mais:

In accordance with §§ 38a-15, a Targeted Market Conduct Examination of Chicago Title Insurance Company (Chicago or the Company) has been conducted regarding certain of the Company's insurance operations to determine compliance with relevant Connecticut insurance laws. The Company's records were examined at their offices located in East Hartford, Connecticut.

The Examination covered the period from January 1, 2015 to December 31, 2017.

Chicago Title Insurance Company
(NAIC Number: 50229)

601 Riverside Avenue

Jacksonville, FL 32204

The report thereon, as of October 21, 2019 is herein respectfully submitted.

SCOPE OF EXAMINATION

The purpose of this Targeted Market Conduct Examination (the Examination) was to determine the Company's compliance with applicable insurance laws, rules and regulations of the State of Connecticut. The scope of the Examination included the period January 1, 2015 through December 31, 2017 (the Period). All working papers, draft reports, files, notes and other documents collected or compiled by any person participating in this Examination are the property of the Connecticut Insurance Department (CID or the Department). The Examination was conducted under the supervision of the Department.

The National Association of Insurance Commissioner's (NAIC) Market Regulation Handbook (the Handbook) served as guidance for the Examination, along with relevant Connecticut insurance laws. The Handbook Standards served as a basis for this Examination and may have been modified to meet the needs of the CID and to reflect statutes, rules and regulations referenced herein.

The Examiners relied primarily on records and information maintained by the Company and its agents.

The Examination included review of the following:

- Company Operations and Management
- Complaint Handling
- Marketing and Sales including Inducements
- Producer Licensing and Agent Relations
- Policyholder Services
- Underwriting and Rating
- Claims

The Examination report (the Report) is a report by exception with modifications. References to practices, procedures, or files that did not contain exceptions are limited. All unacceptable or non-complying practices may not have been identified. The failure to identify specific Company practices does not constitute acceptance of these practices.

Risk & Regulatory Consulting, LLC (RRC) personnel participated in this Examination in their capacity as market conduct Examiners. RRC provides no representations regarding questions of legal interpretation or opinion. Determination of Findings constituting violations or potential violations is the sole responsibility of the CID.

COMPANY PROFILE

Fidelity National Financial, Inc. (FNF) is a financial and insurance services holding company that provides title insurance, mortgage services and restaurant and other diversified services. FNF's largest subsidiary is Fidelity National Title Group, Inc. (FNTG). FNTG is one of the nation's largest title insurance and escrow services holding companies. The FNTG title insurers that have national sales exposure include Fidelity National Title Insurance Company, Chicago Title Insurance Company, Commonwealth Land Title Insurance Company, National Title Insurance of New York, and Alamo Title Insurance Company.

Chicago Title Insurance Company (CTIC or the Company) provides title insurance, underwriting, escrow and closing services to residential, commercial and industrial clients, lenders, developers, attorneys, real estate professionals and consumers. CTIC is licensed in 49 states (all states other than Iowa), the District of Columbia, Canada, Guam, the Commonwealth of Puerto Rico, and the U.S. Virgin Islands. Total assets as of December 31, 2018 are approximately \$1.8 billion, with a surplus of \$916.2 million. The Company has a Fitch rating of A, a Moody's rating of A2, an S&P rating of A, and a Demotech rating of A".

In Connecticut, CTIC conducts business from two offices located in East Hartford and Shelton. Local agency accounting is managed in the Connecticut offices, but certain authorizations and functions such as bank reconciliations, wire approvals, bill payments, and revenue are handled regionally through the FNTG Centralized Accounting Department in New York and/or the Companies' home office accounting team in Jacksonville, Florida.

Sources: <https://www.fnfg.com/>, CTIC 2018 Annual Statement and SNL

EXAMINERS METHODOLOGY

The CID Market Conduct Examination of FNTG involved three (3) of Fidelity's companies, which included Fidelity National Title Insurance Company, Chicago Title Insurance Company, and Commonwealth Land Title Insurance Company. Each Company was examined on a stand-alone basis and the Examiners prepared independent Examination reports for each Company.

Based on the above, the Examiners, with the approval of the CID, developed a sampling approach for each scope area in which testing was necessary. The Examiners received data from the Companies specific to Claims, Underwriting and Rating, and Accounting information. The data was analyzed for accuracy and completeness, and in some instances, the Company provided revised information to the Examiners for review. Once the data analysis process was complete, a testing approach using a blended sample across all three (3) of the Fidelity companies was implemented, which achieved the goals and objectives of the Department.

The Examiners conducted discussions with Company representatives responsible for certain CTIC functional areas including Complaints, Accounting, and Underwriting. In addition, the Examiners discussed testing methodologies with the Company to arrive at the most efficient option to perform the necessary work.

In addition, throughout the course of the Examination, the Examiners submitted written inquiries directed to the Company to assist in gathering information and/or clarify the Examiner's understanding of a particular matter.

Further, the Examiners submitted Comment Forms (Criticisms) to the Company, which identified and communicated certain preliminary Findings and possible violations of Connecticut insurance statutes and regulations and areas of non-compliance with the Handbook. Finally, the Examiners and the Department met on a frequent basis with the Company to provide an update concerning the progress of the Examination and share relevant Findings as of the date of each meeting.

The following provides more detail regarding the Examiners' investigation of certain operational areas as follows:

Company Operations and Management

The Examiners prepared a data request, which included a request for a variety of background information concerning the Company and related information specific to the scope of the Company's license, fidelity coverages, and title plant standards. Responses were reviewed to determine compliance with certain Connecticut Insurance laws.

Marketing and Sales Including Inducements

The Examiners requested and received a list of all sales and advertising material, training material, and marketing plans in use in Connecticut during the Examination period. Responses were reviewed to determine compliance with certain Connecticut Insurance laws.

Additionally, certain accounting related information was requested, which focused on the Company's expense transactions. A sample of expense transactions was reviewed to investigate any matters regarding possible inducements. The Examiners reviewed the Company's overhead allocation process, and in addition, the Examiners selected a blended sample of expense disbursement files from the Period for the three Fidelity companies under Examination, including the invoice or calculation to support the expense.

Complaint Handling

The Examiners requested the Company's complaint handling procedures and related information during the Period. The complaints were reviewed to determine compliance with Connecticut Insurance laws.

Producer Licensing and Agent Relations

The Examiners requested and received information related to the Company's interaction with their agents. Information reviewed included matters related to policy issuance, premium collection and agent contracts. Responses were reviewed to determine compliance with certain Connecticut Insurance laws.

Policyholder Services

The Examiners requested information related to the Company's policyholder services. Information reviewed included policies and procedures related to premium notices and premium refunds. Responses were reviewed to determine compliance with certain Connecticut Insurance laws.

Underwriting and Rating

The Examiners reviewed the Company's underwriting policies, procedures and rating manuals to determine if there are any unfair rating practices, illegal inducements and rating discrepancies. In addition, the Examiners selected a blended sample of underwriting and rating files for the three Fidelity companies under Examination.

Claims

The Examiners reviewed the Company's claims policies and procedures to determine the Company's approach to handling claims. In addition, the Examiners selected a blended sample of claim files for the three Fidelity companies under Examination.

EXAMINATION REPORT SUMMARY

The Examination resulted in potential violations in which the Company does not appear to be in compliance with Connecticut insurance laws. The following summarizes the Examiner's findings.

Company Operations and Management

- No exceptions were noted in this area.

Complaint Handling

- No exceptions were noted in this area.

Marketing and Sales and Inducements

- Based on the review of the selected sample, the Examiners identified a number of instances involving entertainment related expenses incurred by the Company on behalf of its independent title insurance policy-issuing agents.

Producer Licensing and Agent Relations

The Examiners identified the following one (1) potential violation:

- Failure to have a licensed attorney in the State of Connecticut for the Period issue a title insurance policy. One (1) potential violation

Policyholder Services

- No exceptions were noted in this area.

Underwriting and Rating

The Examiners identified the following three (3) [WM1] potential violations:

- Failure to charge filed rates. This was a finding during the prior examination.

Claims

- No exceptions were noted in this area.

Level of Cooperation

The Company was cooperative throughout the course of the Examination, dialogue with the Company's Examination Coordinators and other CTIC's resources was collaborative and timely, and the Company staff was readily accessible and responsive to the Examiner's requests. The Examiners conducted fieldwork both onsite at the Company's offices in East Hartford, Connecticut as well as performing most aspects of the work from remote locations.

FACTUAL FINDINGS

Producer Licensing and Agent Relations Findings

Issue 1: Failure to provide a closing attorney listed as a licensed attorney in the State of Connecticut for the Period.

Connecticut Unfair Insurance Practices Act - Unfair Practices Sec. 38a-402 (13) provides in part the following:

“Title agent” or “agent” means any person authorized in writing by a title insurer to (A) solicit title insurance business, (B) collect premiums, (C) determine the insurability of a risk in accordance with underwriting rules and standards prescribed by the title insurer or (D) issue policies of the title insurer. Title agent does not include officers or employees of a title insurer. No person may act as a title agent unless he is a commissioner of the Superior Court in good standing, except any individual who held a valid title insurance license on or before June 12, 1984.”

The Examiners selected a random blended sample of 80 underwriting and rating files for the Period and tested 45 of the samples. As a result of the Examiner’s review of the 45 files there was one (1) instance in which a title insurance policy was not issued by a commissioner of the Superior Court in good standing.

Underwriting and Rating Findings

Issue 1: Failure to charge filed rates.
--

Connecticut General Statute Section 38a-419 provides in part the following:

“(c) No title insurer or title agent may use or collect any premium after October 1, 1990, except in accordance with the premium rate schedule filed with and approved by the commissioner as required by this section. The commissioner may provide by regulations, adopted in accordance with Chapter 54, for interim use of premium rate schedules in effect prior to October 1, 1990.”

The Examiners selected a random blended sample of 80 underwriting and rating files for the Period and tested 45 of the samples. As a result of the Examiner’s review of the 45 files there were three

(3) instances in which an insurance premium inconsistent with the Company's filed rates was charged by the Company or an independent title policy-issuing agent of the Company.

The Examiners note that remediation of premium to the consumer was provided where applicable.

Inducement Findings

Issue 1: Failure to prohibit rebates and inducements.

Connecticut Unfair Insurance Practices Act - Unfair Practices Sec. 38a-414 provides in part the following:

"(a) No title insurer or title agent shall (1) pay, directly or indirectly, to the insured, to any producer of title insurance business, to any associate of a producer or to any other person other than another title agent, any commission, any part of its premiums, fees or other charges or any other consideration or thing of value as inducement or compensation for the referral of title insurance business or (2) issue any title insurance policy in connection with any transaction in which it has paid or intends to pay any commission or any part of its premiums, fees or other charges, or any other consideration or thing of value which it knows to be in violation of this section.

(b) No insured named in a title insurance policy, no producer of title insurance business, no associate of a producer, nor any other person, other than another title agent, may knowingly receive or accept, directly or indirectly, any commission, rebate, consideration, thing of value or inducement referred to in subsection (a) of this section.

Connecticut Unfair Insurance Practices Act - Unfair Practices Sec. 38a-415 provides the following:

"(a) Nothing in sections 38a-400 to 38a-425, inclusive, shall be construed as prohibiting the division of premiums and charges between or among a title insurer and its title agent, two or more title insurers and their title agents, two or more title insurers, one or more title insurers and one or more title agents, or two or more title agents, provided such division of premiums and charges does not constitute (1) an unlawful rebate or inducement under the provisions of said sections or (2) payment of a forwarding fee or finder's fee.

(b) Notwithstanding subsection (a) of this section, for any title insurance policy issued after October 1, 1990, no title insurer shall pay to any title insurance agent or permit such agent to retain any amount exceeding sixty per cent of the gross premium for any policy of the title insurer issued by such agent. The maximum commission to a title insurance agent shall not be increased directly or indirectly by an insurer providing anything of value, including services, to an agent for less than the actual cost or fair market value.

Based on the review of the selected sample, the Examiners identified a number of instances involving entertainment related expenses incurred by the Company on behalf of their third-party title policy-issuing, agents. However, it is noted that a portion of the identified incurred expenses include costs incurred by Company employees. The instances identified appear to be inducements or remuneration to the company's agents and may represent violations of the Connecticut General Statutes, Sections 38a-414 and 38a-415.

OBSERVATIONS and RECOMMENDATIONS

As a result of the complaint handling, underwriting and rating, and claims handling testing performed by the Examiners, the following observations and recommendations were noted:

Complaint Handling Observations and Recommendations

The chart below illustrates the observations and recommendations noted by the Examiners as a result of the complaint handling testing performed.

CID Complaint # (Year)	Observations	Recommendations
502389 (2015)	The Examiners requested internal communications made to the Company's claim area (in accordance with the Company's complaint handbook) as they were not provided in the original claims file.	The Company should maintain a complete claims file/complaints file.
704701 (2017)	The Examiners requested internal communications made to the Company's claim area (in accordance with the Company's complaint handbook) as they were not provided in the original claims file.	The Company should maintain a complete claims file/complaints file.
504173 (2015, 2016)	<p>The Company responded to the Connecticut Insurance Department ("CID") after the 10-day requested response period.</p> <p>The September 10, 2015 letter from CID was requested by the Examiners twice, as the Examiners were originally told by the Company the letter was not available, but then was subsequently found. Additionally, the Examiners requested internal communications made to the Company's claim area (in accordance with the Company's complaint handbook) as they were not provided in the original claims file.</p>	<p>The Company should respond to CID within the requested time period.</p> <p>The Company should maintain a complete file.</p>

Underwriting and Rating Observations and Recommendations

As a result of the underwriting and rating testing performed by the Examiners, the following observations and recommendations were noted:

Title Searches

Policy #	Observations	Recommendations
5620203	In lieu of providing a copy of a title search, the Company provided the Examiners with an invoice showing evidence that a title search was ordered	The Company should maintain a complete underwriting file, which includes a copy of the title search.
4947048	In lieu of providing a copy of a title search, the Company provided the Examiners with an invoice showing evidence that a title search was ordered	The Company should maintain a complete underwriting file, which includes a copy of the title search.
72420-211539556	In lieu of providing a copy of a title search, the Company provided the Examiners with an invoice showing evidence that a title search was ordered	The Company should maintain a complete underwriting file, which includes a copy of the title search.
74489-212329989	In lieu of providing a copy of a title search, the Company provided the Examiners with an invoice showing evidence that a title search was ordered	The Company should maintain a complete underwriting file, which includes a copy of the title search.
72420-210190785	In lieu of providing a copy of a title search, the Company provided the Examiners with an invoice showing evidence that a title search was ordered	The Company should maintain a complete underwriting file, which includes a copy of the title search.
5981154	In lieu of providing a copy of a title search, the Company provided the Examiners with an invoice showing evidence that a title search was ordered	The Company should maintain a complete underwriting file, which includes a copy of the title search.

Oversight of Software

During the review of underwriting and rating, the Examiners discovered there was an error with one of the rating platforms used by a third-party agent. The Company provided the following information regarding the error:

The Company does not approve or authorize the use of any platforms or programs for closing software for our third-party title agents. The production software is chosen independently by agents and is not provided by/funded by/nor approved by the Company.

The Examiners recommend that the Company review its current internal controls over the oversight of the software used for rating calculations by the third-party agents and consider strengthening the controls. [WM2]

Claims Observations and Recommendations

The chart below illustrates the observations and recommendations noted by the Examiners because of the claims testing performed.

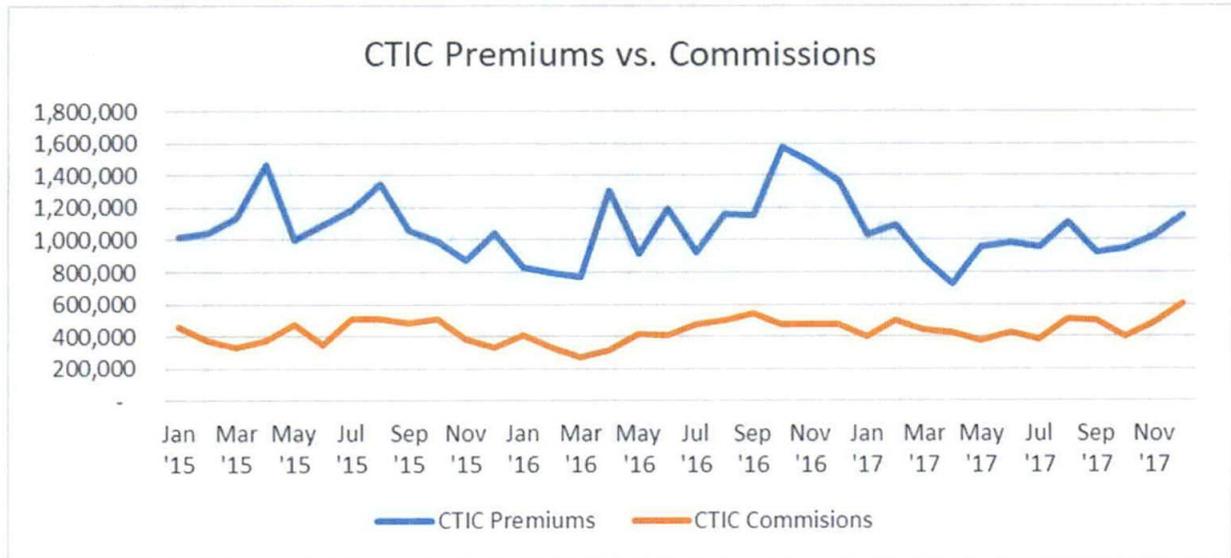
Claim #	Observations	Recommendations
530469	The Examiner noted that this claim could have been closed on January 22, 2016, but was not closed until March 2, 2016.	The Company should be closing claims files timely.
569715	Based on inquiry with the Company, it appears from review of the March 22, 2017 letter that the insured provided additional information in response to the Company's coverage determination dated December 30, 2016. The Company failed to respond to this March 22, 2017 letter from the insured. The Examiners concluded this is a violation of the CT Unfair Claim Settlement Practices 38a-816(6). The Company also indicated in their written response to the Examiners that such omission is a violation of Company protocol, which requires that a response be sent to any communication that could be construed as requesting reconsideration of the Company's coverage determination (Claims Handbook, Chapter 4, Section 401 [B][3][e]).	The Company should be responding to correspondences from their insureds in a timely manner.
608747	The Examiners noted that support for all expense reserves was not in the claims file.	The Company should maintain a complete claims file.

Connecticut Insurance Department Market Conduct Examination of
Chicago Title Insurance Company

Claim #	Observations	Recommendations
509070	<p>This claim was denied three times by the Company (March 4, 2015, April 16, 2015 and June 2, 2015). Once the Company was provided with a copy of the actual policy, a Castle Enhanced policy, by the insured, it was determined that coverage was afforded under insuring provisions 14 and 15. The Examiners concluded that the Company did not perform their due diligence as it related to the claim reviews performed in support of denying the claim multiple times before accepting the claim in June 2015. This is a potential violation of the CT Unfair Claim Settlement Practices 38a-816(6).</p>	<p>The Company should be performing their due diligence in order to support the denying of a claim.</p>
519630	<p>The Examiners noted that support for all expense reserves was not in the claims file.</p>	<p>The Company should maintain a complete claims file.</p>

APPENDIX A

The following is offered as reference only specific to a Comparison between the Company's Premiums charged during the Period as compared to Connecticut Commissions rendered during the Period.



EXAMINATION SUMMARY

Summary of Examination Findings

Finding	Description of Finding	Population	Blended Sample Size	Number of Instances	Error Rate	Applicable Connecticut Statute
Finding #2 Producer Licensing (PA13.h)	Failure to have a licensed attorney in the State of Connecticut for the Period issue the title policy.	80	45	1 (E.2.4)	2%	Connecticut Unfair Insurance Practices Act - Unfair Practices Sec. 38a-402 (13)
Finding #1 Underwriting and Rating (PA13.I)	Failure to charge filed rates.	80	45	3 (G.1.8)	7%	Connecticut General Statute Section 38a-419

ACKNOWLEDGMENT

An examination has been conducted on the market conduct affairs of Chicago Title Insurance Company covering the period from January 1, 2015 to December 31, 2017. This Targeted Examination was conducted in accordance with the relevant Connecticut insurance laws and the applicable Handbook procedures in the areas of company operations and management, policyholder services, producer licensing, complaint handling, marketing and sales including inducements, underwriting and rating and claims handling practices.

The Examiners wish to express appreciation for the courteous cooperation and assistance given by the officers and employees of the Company during the course of this examination.

Sincerely,

Barry L. Wells
Examiner-In-Charge
Risk & Regulatory Consulting, LLC



STATE OF CONNECTICUT

INSURANCE DEPARTMENT

----- X
IN THE MATTER OF:
CHICAGO TITLE INSURANCE COMPANY:
----- X

DOCKET MC 20-07

STIPULATION AND CONSENT ORDER

It is hereby stipulated and agreed between Chicago Title Insurance Company and the State of Connecticut Insurance Department by and through Andrew N. Mais, Insurance Commissioner to wit:

I

WHEREAS, pursuant to a Market Conduct examination, the Insurance Commissioner alleges the following with respect to Chicago Title Insurance Company:

1. Chicago Title Insurance Company, hereinafter referred to as Respondent, is domiciled in the State of Florida and is licensed to transact title insurance in the State of Connecticut. The NAIC company code number is 50229.
2. From July 16, 2018 to on or about October 21, 2019, the Department conducted an examination of Respondent's market conduct practices in the State of Connecticut covering the period January 1, 2015 through December 31, 2017.
3. During the period under examination, Respondent failed to follow established practices and procedures to ensure compliance with statutory requirements resulting in instances of:
 - a) instances where the Respondent or its agent failed to charge the correct rate as filed with the Department.
 - b) instances where Respondent provided inducements to obtain title insurance business.
 - c) failure to adhere to a corrective action plan as required under Docket MC 10-23.

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4. The conduct described in paragraph three is in violation of Sections 38a-414, 38a-415, and 38a-419, of the Connecticut General Statutes, and constitutes cause for the imposition of a fine or other administrative penalty under Sections 38a-2 and 38a-41 of the Connecticut General Statutes.

II

1. WHEREAS, Respondent neither admits nor denies the allegations in paragraphs three and four of Article I of this Stipulation and Consent Order; and
2. WHEREAS, Respondent agrees to undertake a complete review of its practices and procedures, with respect to those areas of concern, as described in the Market Conduct Report and this Stipulation, to ensure that the Respondent remains compliant with Connecticut Statutes; and
3. WHEREAS, Respondent agrees to provide the Insurance Commissioner with a summary of actions taken to comply with the requirements of paragraph two of this Section within ninety (90) days of the date of this document; and
4. WHEREAS, Respondent agrees to pay a fine in the amount of \$ 28,000 for the violations described herein; and
5. WHEREAS, Respondent, being desirous of terminating administrative action without the necessity of a formal hearing or further litigation, does consent to the making of this Consent Order and voluntarily waives:
 - a. any right to notice and a hearing; and
 - b. any requirements that the Insurance Commissioner's decision contain a statement of findings of fact and conclusions of law; and
 - c. any and all rights to object to or challenge before the Insurance Commissioner or in any judicial proceeding any aspect, provision or requirement of this Stipulation

NOW THEREFORE, upon the consent of the parties, it is hereby ordered and adjudged:

1. That the Insurance Commissioner has jurisdiction of the subject matter of this administrative proceeding.
2. That Respondent is fined the sum of Twenty-Eight Thousand Dollars (\$28,000) for the violations herein above described.

Chicago Title Insurance Company

By: 

(Representative of Insurance Company)

CERTIFICATION

The undersigned deposes and says that she/he has duly executed this Stipulation and Consent Order on this 28th day of July 2020, for and on behalf of Chicago Title Insurance Company; that she/he is the VP, Regulatory Counsel of such company, and she/he has authority to execute and file such instrument.

By: [Signature]
STATE OF FLORIDA

SS

COUNTY OF Duval

On the 28 day of July 2020, before me personally
appeared MEGAN # Wilson, sealer
of the foregoing Stipulation and Consent Order, acknowledged same to be her/his act and deed.

[Signature]
Notary Public/Commissioner of The Superior Court



Section Below To Be Completed by State of Connecticut Insurance Department

Dated at Hartford, Connecticut this 18 day of August 2020.

[Signature]
Andrew N. Mais
Insurance Commissioner