

**DELAWARE DEPARTMENT OF INSURANCE**  
**MARKET CONDUCT EXAMINATION REPORT**

**Stewart Title Guaranty Company**  
**NAIC #50121**

**1980 Post Oak Blvd., Suite 710**  
**Houston, TX 77056**

**As of**

**December 31, 2017**

TRINIDAD NAVARRO  
COMMISSIONER



STATE OF DELAWARE  
DEPARTMENT OF INSURANCE

I, Trinidad Navarro, Insurance Commissioner of the State of Delaware, do hereby certify that the attached REPORT ON EXAMINATION, made as of December 31, 2017 on

**Stewart Title Guaranty Company**

is a true and correct copy of the document filed with this Department.

Attest By:



In Witness Whereof, I have hereunto set my hand  
and affixed the official seal of this Department at the  
City of Dover, this 5<sup>th</sup> day of December, 2019.

\_\_\_\_\_  
Trinidad Navarro  
Insurance Commissioner

TRINIDAD NAVARRO  
COMMISSIONER



STATE OF DELAWARE  
DEPARTMENT OF INSURANCE

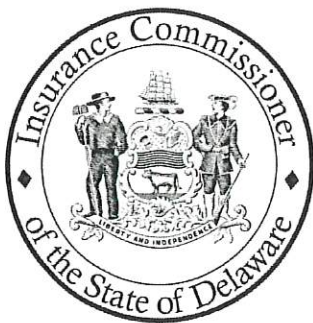
REPORT ON EXAMINATION  
OF THE  
**Stewart Title Guaranty Company**  
AS OF

December 31, 2017

The above-captioned Report was completed by examiners of the Delaware Department of Insurance.

Consideration has been duly given to the comments, conclusions and recommendations of the examiners regarding the status of the Company as reflected in the Report.

This Report is hereby accepted, adopted and filed as an official record of this Department.



In Witness Whereof, I have hereunto set my hand  
and affixed the official seal of this Department at the  
City of Dover, this 5 day of December, 2019.

Trinidad Navarro  
Insurance Commissioner

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Honorable Trinidad Navarro  
Insurance Commissioner  
State of Delaware  
841 Silver Lake Boulevard  
Dover, Delaware 19904

Dear Commissioner Navarro:

In compliance with the instructions contained in Exam Authority Number 50121-18-703, and pursuant to statutory provisions including 18 *Del. C.* §§ 318 - 322, a market conduct examination has been conducted of the affairs and practices of:

**Stewart Title Guaranty Company NAIC #50121**

The examination was performed as of December 31, 2017.

The examination consisted of an on-site phase in Pittsburgh, PA, and an off-site phase which was performed at the offices of the Delaware Department of Insurance, hereinafter referred to as the "Department" or "DDOI," or other suitable locations.

The report of examination herein is respectfully submitted.

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Stewart Title Guaranty Company**

**EXECUTIVE SUMMARY**

Stewart Title Guaranty Company, hereafter referred to as the Company, was examined as part of a series of examinations on companies in the title insurance marketplace in Delaware. The examination focused on the Company's title insurance business in the following areas of operation: Company Operations and Management, Complaint Handling, Marketing and Sales, Policyholder Services, Underwriting and Rating, and Claims Handling.

The three violations noted were in the area of Claims Handling, as follows:

- 3 Exceptions  
18 *Del. Admin. C.* § 902 - 1.2.1.5 – Authority for Regulation; Basis for Regulation  
*1.2.1.5 Failing to affirm or deny coverage or a claim or advise the person presenting the claim, in writing, or other proper legal manner, of the reason for the inability to do so, within 30 days after proof of loss statements have been received by the insurer.*

The Company failed to affirm or deny coverage or a claim or advise the person presenting the claim, in writing, or other proper legal manner, of the reason for the inability to do so, within 30 days after proof of loss statements have been received by the insurer.

**SCOPE OF EXAMINATION**

The Market Conduct Examination was conducted pursuant to the authority granted by 18 *Del. C.* §§ 318 - 322 and covered the experience period of January 1, 2016 through December 31, 2017, unless otherwise noted. The purpose of the examination was to determine compliance by the Company with applicable Delaware laws and regulations.

The examination was a targeted market conduct examination of the Company's title insurance business in the following areas of operation: Company Operations and Management, Complaint Handling, Marketing and Sales, Producer Licensing, Policyholder Services, Underwriting and Rating, and Claims Handling.

**METHODOLOGY**

This examination was performed in accordance with Market Regulation standards established by the Department and examination procedures suggested by the NAIC. While examiners report on the errors found in individual files, the examiners also focus on general business practices of the Company.

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The Company was requested to identify the universe of files for each segment of the review. Based on the universe sizes, identified random sampling was utilized to select the files reviewed for this examination.

Delaware Market Conduct Examination Reports generally note only those items to which the Department, after review, takes exception. An exception is any instance of Company activity that does not comply with an insurance statute or regulation. Exceptions contained in the Report may result in imposition of penalties. Generally, practices, procedures, or files that were reviewed by Department examiners during the course of an examination may not be referred to in the Report if no improprieties were noted. However, the Examination 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 these areas of concern in order to determine the potential impact upon Company operations or future compliance.

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

## **COMPANY HISTORY AND PROFILE**

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

The Total Admitted Assets of \$1,053,261 were reported in the Statutory Statements of Admitted Assets, Liabilities and Surplus as regards Policyholders, as of December 31, 2016.

## **COMPANY OPERATIONS AND MANAGEMENT**

The Company provided information documenting its management and operational procedures for the lines of business conducted in the state of Delaware, including:

- Corporate Minutes
- Title Plant, TPA, and Third-Party Vendors
- Audited Financial Statements
- Disaster Recovery Plan

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- Consumer Privacy
- Company History

The documents were reviewed to determine compliance with Delaware Laws and Regulations and NAIC Standards.

No exceptions were noted.

**COMPLAINT HANDLING**

The Company provided a list of one (1) complaint that was filed with the Company during the examination period of January 1, 2016 through December 31, 2017. This complaint was received from the Delaware Department of Insurance. The complaint file was reviewed and no exceptions were noted.

The Complaint Register was reviewed for compliance with 18 Del. C. §2304 (17), and 18 Del. C. §2304 (26) and 18 Del. Admin. Code 902 §1.2.1.2 since it involved a claim. The file was also reviewed for compliance with the NAIC Market Regulation Handbook Standards Chapters 16 & 18.

The Register contains most of the required segments according to 18 Del. §2304 (17), however the disposition of this complaint is not included in the information. Although the Company does provide a column that describes what transacted during the complaint, the actual disposition is missing. The Company does not populate this column until there is response from the Department, holding a complaint open for a period of five (5) years after a reply has been made.

**MARKETING AND SALES**

The Company was asked to provide a listing of all marketing and sales material and bulletins used during the examination of January 1, 2016 through December 31, 2017. This included any software programs, brochures, promotional packets, marketing policies, training programs, and underwriting manual and bulletins.

The Company provided 756 pieces of market and sales materials for review. A random sample was selected and reviewed for compliance with the NAIC Market Regulation Handbook Standards Chapters 16 & 18.

The Company markets its business through a number of means. They work to build relationships within the various communities in which it operates. These efforts include building brand recognition as well as maintaining relationships by providing exceptional service. The Company's business is primarily written through affiliate or independent title agents who make their own decisions regarding their marketing strategies. Their business generally comes through a variety of channels including direct from consumer,



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attorneys, real estate agents, and national and regional lenders.

The Company has a standardized employee training program. New hires, interns and new managers are assigned a set of internal Courses for their positions. Other mandatory courses are assigned to all associates and managers. Professional development assistance is also offered. The Company also provides independent agencies with a catalog of educational and training courses and webinars on a variety of topics. Finally, the Company has an online portal available that contains Marketing Tools, Materials, Social Media guidelines and Assistance sections and links.

No exceptions were noted.

**POLICYHOLDER SERVICES**

The Company provided policies, procedures, website addresses and sample forms relating to the handling of consumer inquiries and requests for information. Any on-line form submissions are routed to their Consumer Complaint customer relations support group. A flow-document was provided that further outlined their internal process. All documents submitted were reviewed and no exceptions were noted.

The Company's parent Company (Stewart Information Services Corporation (SISCO)) has an audit committee that routinely reviews compliance of Stewart Title Guaranty Company. A list of the audits undertaken during the exam period were requested and provided, and a sample selected for review. These were found sufficient. Additionally, Stewart utilizes both periodic internal reviews as well as supervisory management structures to monitor compliance.

**UNDERWRITING AND RATING**

The Company identified a universe of 18,500 policies written during the experience period. A random sample of 116 files was requested, received, and reviewed. The files were re-rated and reviewed to determine compliance with applicable Delaware statutes and regulations. For examination purposes, the agency principles on these files was also reviewed.

No exceptions were noted.

**CLAIMS HANDLING**

The Company provided a list of 219 claims opened during the experience period. From this list, the examiners found three (3) Paid claims, 26 Denied claims and 190 Closed Without Payment claims. All Paid and Denied claim files were reviewed. For the Closed Without Payment claims, a sampling of 76 policies was selected according to the NAIC

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Market Coordinators Handbook guidelines. Examination of the claim files was performed to determine compliance with applicable Delaware statutes and regulations and Delaware Insurance Department bulletins and regulations, and to verify the Company's compliance with NAIC guidelines.

**Paid Claims**

The Company provided a list of three (3) paid claims filed during the experience period of January 1, 2016 through December 31, 2017. All three (3) files were reviewed to determine compliance with applicable Delaware statutes and regulations.

There were no exceptions.

**Closed Without Payment Claims**

The Company provided a list of 190 closed without payment claims filed during the experience period of January 1, 2016 through December 31, 2017. A sampling of 76 policies reviewed was selected according to the NAIC Market Coordinators Handbook guidelines. Random sampling was used through ACL programming. Examination of the claim files was performed to verify the Company's compliance with NAIC guidelines and Delaware Insurance Department bulletins and regulations.

Due to the time-consuming nature of the review, the selections were reduced to 25 randomly selected closed without payment claims to be tested.

There was one exception:

The Company received notice of a claim on June 4, 2015 and acknowledged receipt on June 9, 2015. The file did not show any further contact until a decision was rendered August 17, 2015.

**Denied Claims**

The Company provided a list of 26 denied claims filed during the experience period of January 1, 2016 through December 31, 2017. All 26 files were reviewed to determine compliance with applicable Delaware statutes and regulations.

There were two exceptions:

In one claim, the Company received notice of this claim on December 1, 2017 and acknowledged receipt on December 4, 2017. During the examination, it was learned that this claim was never finalized. A denial letter was subsequently issued February 7, 2019.

In the second claim, the Company received a claim on November 7, 2017 and acknowledged receipt on November 7, 2017. A Letter of Indemnity was sent November 14, 2017 which addressed one matter, but a second matter was brought to the Company's attention on November 16, 2017. A letter denying this claim's second matter was not sent until January 16, 2019.

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*Recommendation:* It is recommended the Company revise its procedures to ensure a response is issued within 30 working days after proof of loss statements have been received by the insurer in compliance with 18 *Del. Admin. C.* § 902 – 1.2.1.5.

**CONCLUSION**

The recommendation made below identifies a corrective measure that the Department finds necessary as a result of the exceptions noted in the Report. Location in the Report is referenced in parenthesis.

1. It is recommended the Company revise its procedures to ensure a response is issued within 30 working days after proof of loss statements have been received by the insurer in compliance with 18 *Del. Admin. C.* § 902 – 1.2.1.5. (Claims Handling).

The examination was conducted by Joseph Krug, Mark Plesha, Jim Myers and Brad Shoop. The report of examination herein is respectfully submitted.



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Mark Plesha, CPCU, AIE, MCM, CWCP, AIS, IR  
Examiner-in-Charge  
Market Conduct  
Delaware Department of Insurance