

Report on  
Market Conduct Examination  
of the

First American Title Insurance Company  
Omaha, Nebraska  
by Representatives of the  
North Carolina Department of Insurance  
as of  
March 2, 2016

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TABLE OF CONTENTS

SALUTATION ..... 1

SCOPE OF EXAMINATION ..... 2

EXECUTIVE SUMMARY..... 2

MARKETING ..... 3

    Policy Forms and Filings ..... 3

UNDERWRITING PRACTICES ..... 3

    Overview ..... 3

    Title Insurance ..... 4

CLAIMS PRACTICES ..... 4

    Overview ..... 4

    Paid Claims ..... 4

COMMENTS, RECOMMENDATIONS, AND DIRECTIVES ..... 5

CONCLUSION ..... 5

Raleigh, North Carolina  
March 2, 2016

Honorable Wayne Goodwin  
Commissioner of Insurance  
Department of Insurance  
State of North Carolina  
Dobbs Building  
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Raleigh, North Carolina 27603

Honorable Bruce R. Ramge  
Director of Insurance  
Department of Insurance  
State of Nebraska  
941 O Street, Suite 400  
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Honorable Commissioner and Honorable Director:

Pursuant to your instructions and in accordance with the provisions of North Carolina General Statute (NCGS) 58-2-131 through 58-2-134, a target examination has been made of the market conduct activities of

**First American Title Insurance Company (NAIC #50814)**  
NAIC Exam Tracking System Exam Number: NC299-M89  
Omaha, Nebraska

hereinafter generally referred to as the Company, at the Company's regional office located at 2082 Summit Lake Drive, Tallahassee, Florida, and at the North Carolina Department of Insurance (Department) office located at 11 S. Boylan Avenue, Raleigh, North Carolina. A report thereon is respectfully submitted.

## SCOPE OF EXAMINATION

The Department conducted a target examination of the Company. This examination commenced on October 26, 2015, and covered the period of January 1, 2013, through December 31, 2014, with analyses of certain operations of the Company being conducted through March 2, 2016. This action was taken due to a market analysis review of the Company. All comments made in this report reflect conditions observed during the period of the examination.

This examination was performed in accordance with auditing standards established by the Department and procedures established by the National Association of Insurance Commissioners (NAIC). The scope of this examination was not comprehensive, but included a limited review of the Company's practices and procedures in marketing, underwriting, and claims. The findings and conclusions contained within the report are based solely on the work performed and are referenced within the appropriate sections of the examination report.

It is the Department's practice to cite companies in violation of a statute or rule when the results of a sample show errors/noncompliance that fall outside certain tolerance levels. The Department applied a 0 percent tolerance level for the use of forms and rates/rules that were neither filed with nor approved by the Department, 3 percent for claims, and 5 percent for all other areas reviewed. Sample sizes were generated via an Audit Command Language (ACL) program with a random sample taken from a given population. The Department utilized a 95% Confidence Level to determine the error tolerance level.

## EXECUTIVE SUMMARY

This market conduct examination revealed concerns with the Company's procedures and practices in the following area:

*Claims Practices* – Paid Claims: Delays in acknowledgement and communication, lack of documentation of claim activity, and failure to maintain a claims manual.

Specific violations are noted in the appropriate section of this report. All North Carolina General Statutes cited in this report may be viewed on the North Carolina Department of Insurance Web site [www.ncdoi.com](http://www.ncdoi.com), by clicking “INSURANCE DIVISIONS” then “Legislative Services”.

This examination identified various statutory violations, some of which may extend to other jurisdictions. The Company is directed to take immediate corrective action to demonstrate its ability and intention to conduct business in North Carolina according to its insurance laws and regulations. When applicable, corrective action for other jurisdictions must be addressed.

All statutory violations may not have been discovered or noted in this report. Failure to identify statutory violations in North Carolina or in other jurisdictions does not constitute acceptance of such violations.

## **MARKETING**

### Policy Forms and Filings

Policy forms and filings for the Company were reviewed to determine compliance with appropriate North Carolina statutes and rules. We reviewed the following line of business:

- Title Insurance

Filings for the title insurance line of business were made by the North Carolina Title Insurance Rating Bureau on behalf of the Company.

## **UNDERWRITING PRACTICES**

### Overview

The Company’s marketing in North Carolina is directed to title insurance. The Company provided the examiners with a listing of the following type of active policies for the period under examination:

- Title Insurance

A random selection of 119 policies was made from a total population of 134,468. Each policy was reviewed for adherence to underwriting guidelines, file documentation, and premium determination. Additionally, the policies were examined to determine compliance with the appropriate North Carolina statutes and rules, policy provisions, and the applicable policy manual rules.

#### Title Insurance

The Company's title insurance policies were written on a single event basis. Coverages were written utilizing manual rates. Risk placement was determined by the Company's underwriting guidelines and the underwriter. No discrepancies were noted in the Company's use of its underwriting guidelines. All policy files contained sufficient documentation to support the Company's classification of the risk. All premiums charged were deemed correct.

### **CLAIMS PRACTICES**

#### Overview

The Company's claims practices were reviewed to determine compliance with the appropriate North Carolina statutes and rules and policy provisions. The review encompassed paid claims. One hundred thirty-one claims were randomly selected from a population of 213.

#### Paid Claims

The claim files were reviewed to determine compliance with the provisions of NCGS 58-63-15(11) for timeliness of payment, supporting documentation, and accuracy of payment. The Company did not adhere to the provisions of NCGS 58-63-15(11)(b) as five claims files reviewed showed the Company failed to acknowledge and act reasonably prompt when communicating with claimants.

The Company did not adhere to the provisions of NCGS 58-63-15(11)(c) as it failed to maintain a claims manual specifying reasonable standards for the prompt investigation of

claims. Upon the request of the examiners, the Company composed a claims manual prior to the conclusion of the exam.

### **COMMENTS, RECOMMENDATIONS, AND DIRECTIVES**

The Company must implement claims procedures to maintain prompt communication with claimants and provide punctual responses to inquiries. The Company must maintain detailed claims records, which includes the claims activity and appropriate documentation.

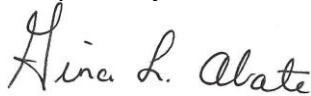
### **CONCLUSION**

An examination has been conducted on the market conduct affairs of First American Title Insurance Company for the period January 1, 2013, through December 31, 2014, with analyses of certain operations of the Companies being conducted through March 2, 2016.

This examination was conducted in accordance with the North Carolina Department of Insurance and the National Association of Insurance Commissioners Market Regulation Handbook procedures, including analyses of the Company's operations in the areas of marketing, underwriting, and claims practices.

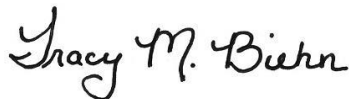
In addition to the undersigned, Patricia Murphy, MCM, North Carolina Market Conduct Examiner, participated in this examination.

Respectfully submitted,



Gina Abate, MCM  
Examiner-In-Charge  
Market Regulation Division  
State of North Carolina

I have reviewed this examination report and it meets the provisions for such reports prescribed by this Division and the North Carolina Department of Insurance.



Tracy M. Biehn, MBA, MCM, LPCS  
Deputy Commissioner  
Market Regulation Division  
State of North Carolina