

TITLE INSURANCE
ETHICAL
CONSIDERATIONS

Theo Goodin, Alabama Department of Insurance



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The Alabama Department of Insurance celebrating over 125 years of insurance regulation.

Our mission is to serve the people of Alabama by regulating the insurance industry, providing consumer protection, promoting market stability, and enforcing fire safety standards and laws.



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ETHICS IS HUMAN

- Ethics is inherently human. It focuses on how broadly we consider our impact on others and honor their well-being. And "others" doesn't just include our coworkers and customers. We have an ethical responsibility to many "others," even some who we may never meet.



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ETHICS IS POSITIVE

- Ethics is not just laws, regulations or ethics codes. Those are simply safety nets to keep us on the positive (and legal) side of ethics. Ethics is really about high level positive values like respect and care, service and sustainability.

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ETHICS IS MULTIDIMENSIONAL

- There are hundreds of different terms used to describe ethics, and many angles from which to approach it. There's personal ethics (integrity and character), interpersonal ethics (respect and care), environmental ethics (respect for life and sustainability) and societal ethics (supporting communities and the greater good). Add professional ethics (codes for each profession) and organizational ethical culture to the mix too.

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ETHICS IS A SYSTEM

- Not only is ethics multidimensional, it's also systemic. Building an ethical culture requires the alignment of many different aspects of ethics including expectations, communication and full accountability.

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Financial Examination Purpose:

The primary purpose of a risk-focused examination is to review and evaluate an insurer's business processes and controls (including the quality and reliability of corporate governance) to assist in assessing and monitoring its current financial condition and prospective solvency. As part of this process, the examiner identifies and evaluates risks that could cause an insurer's surplus to be materially misstated both currently and prospectively.



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Seven horizontal lines for notes.

Market Conduct Examination of Title Insurance Companies



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Seven horizontal lines for notes.

OVERVIEW OF A MARKET CONDUCT TITLE INSURANCE EXAMINATION

- The title insurance company acts within the scope of its license
- No member of the board of directors of the title insurance company may be a title insurance agent who wrote 1 percent or more of the direct premiums for the previous calendar year.
- The agency and all applicable employees have in place an errors and omissions policy, fidelity coverage, and/or a surety bond



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Seven horizontal lines for notes.

UNDERWRITING AND RATING STANDARDS

THE TITLE INSURANCE COMPANY DOES NOT ENGAGE IN COLLUSIVE OR ANTI-COMPETITIVE UNDERWRITING PRACTICES; OTHER THAN CLOSING OR SETTLEMENT PROTECTION, THE TITLE INSURANCE COMPANY DOES NOT PROVIDE ANY OTHER COVERAGE WHICH PURPORTS TO INDEMNIFY AGAINST IMPROPER ACTS OR OMISSIONS OF A PERSON WITH REGARD TO ESCROW, SETTLEMENT OR CLOSING SERVICES.



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TITLE INSURANCE PRODUCER (AGENT) LICENSING AND RELATIONS STANDARDS

- Written underwriting contracts, which include required provisions, are in place between title insurance agencies and all applicable title companies, and business is not placed without a contract.
- The title insurance company maintains an inventory of all policy forms or policy numbers allocated to each title insurance agent.
- The title insurance company conducts a review of underwriting, claims and escrow practices of the title insurance agent



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Compliance with 18 U.S.C. § 1033 and ALA. ADMIN. CODE 482-1-146 (2009).

ALA. ADMIN. CODE 482-1-146-.11(1) (2009) requires that a insurer have:

- a. An internal procedure for new hires to ascertain the existence of a felony conviction for a Section 1033 offense.
- b. An internal procedure after initial employment, applied on a periodic basis, to ascertain the existence of a felony conviction for a Section 1033 offense.



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ALABAMA DEPARTMENT OF INSURANCE REGULATION 482-1-148

- This chapter shall apply to individuals and business entities applying for and renewing a title insurance agent license and to all title insurance companies appointing title insurance agents.

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PURPOSE, SCOPE & AUTHORITY

- Licensing requirements for title insurance agents
- Appointment procedures
- Renewal and continuing education mandates
- Applies to individuals and business entities (exceptions for attorneys/law firms)

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Attorneys licensed by the Alabama State Bar are exempt from the licensing requirements of this chapter. If a licensed attorney chooses to do business through an entity law firm, that entity law firm shall be likewise exempt from the licensing requirements of this chapter. Should a licensed attorney choose to do title insurance business through an entity separate and apart from a law firm, that entity will be subject to the title agent licensing requirements of this chapter and at least one individual must be licensed as an individual title insurance agent, even if that person is a licensed attorney who would otherwise be exempt from licensing. Likewise, should an individual who is not a licensed attorney seek to do business as a title insurance agent through an entity law firm, then the entity law firm would be subject to the licensing requirements of this

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482-1-148-.07 TITLE INSURANCE AGENT LICENSE.

- (1) All title insurance commitments, policies and endorsements issued by a title insurance agent and insuring an interest in real property situated in this state must be issued and signed by a duly licensed and appointed title insurance agent. The signature block shall contain the license number for the issuing agent and of the signing agent.

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2) BUSINESS ENTITY AGENT.

- A business entity may be issued a title insurance agent license in accordance with the following: (a) To be licensed as a title insurance agent, a business entity must be an Alabama entity properly formed and existing under Code of Ala. 1975, Tit. 10A and must have its principal place of business physically located in this state. A sole proprietorship can only be licensed as an individual title agent. One or more individuals doing business under a trade name cannot obtain a business entity title agent license absent formal organization as an entity.

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- The entity must identify at least one licensed individual title insurance agent designated as responsible for the entity's compliance with all applicable laws, rules, and regulations, and designated to act as signatory on title insurance commitments, policies and endorsements issued by the business entity agent. The licensed individual title insurance agent so designated must have such a degree of affiliation with the entity in terms of an ownership interest in the entity, a role as an officer or director, employment relationship, or otherwise as reasonably assures that the licensed individual agent can cause or influence the entity's compliance with all applicable laws, rules, and regulations, including but not limited to the requirements set forth in paragraph (3) below.

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• Business entity title insurance agents must be appointed to act on behalf of a title insurer and must be appointed by each title insurer it represents. A business entity is deemed to be representing or acting on behalf of a title insurer upon entering into an agency contract or agreement with the insurer. Each individual title insurance agent acting on behalf of the business entity title agent must also be appointed to represent the insurer.

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• Individual Agent. An individual may be issued a title insurance agent license in accordance with the following: (a) The individual must be at least 19 years of age. (b) The individual must be either: 1. An Alabama resident citizen. 2. A non-Alabama resident who is employed on a full-time basis by a duly licensed title insurance agent whose principal place of business is physically located in this state. (c) The individual shall complete the Department's on-line licensing process to become licensed as a title insurance agent. (d) Individual title insurance agents must be appointed to act on behalf of a title insurer and must be appointed by each insurer it represents.

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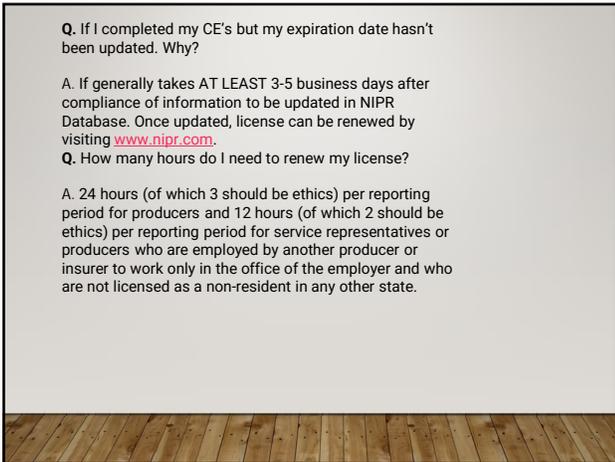
482-1-148-.11 APPOINTMENTS.

• (1) All title insurance agents, including individuals and business entities, must be appointed by any and all title insurers they represent. (2) All appointments are handled on-line through NIPR. (3) The notice of appointment shall be completed by the insurer within 15 days from the date the agency contract is executed or the first insurance application is submitted, whichever occurs first. (4) Insurers may terminate an appointment at any time, subject to the appointee's contract rights, if any. If a licensee wishes to cancel an insurer appointment, the licensee should request the insurer to cancel the appointment. All appointment cancellations are handled on-line through NIPR. (5) Insurers shall comply with the appointment continuation requirements set forth in Chapter 482-1-109.

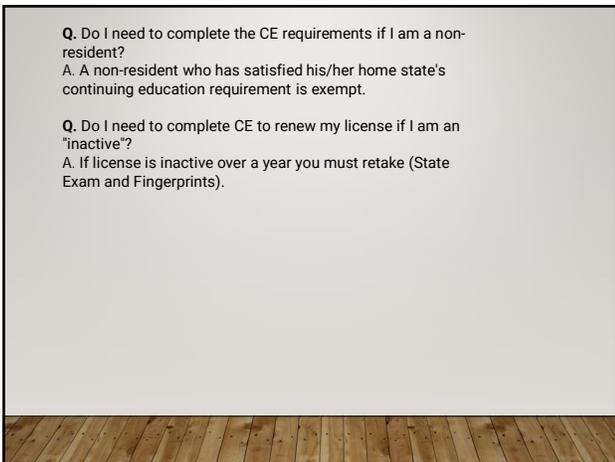
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Q. Does my company renew my license?
A. No. Companies renew appointments each year by Dec. 31. Biennial license renewal is the producer's responsibility.

Q. Must licensees take courses related to the lines of insurance they hold?
A. No. You may take any approved course without regard to the type of license you hold.



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Q. Can extra credits earned from the previous year count for this year's renewal requirements?
A. No, beginning January 1, 2013, excess credit hours earned in the previous biennial renewal period cannot be carried over to the next reporting period. Any excess is lost.

Q. Can credits earned while taking courses to obtain a professional designation be used for the annual CE requirements?
A. Yes, only (if) the provider and courses have been approved by the Alabama Department of Insurance.



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Q. Do I need to send my certificates of completion to the Alabama Department of Insurance?
A. No, there is no need to send certificates to the department.

Q. I completed my CE's but can't renew. What are the next steps?
A. Please allow AT LEAST 3-5 business days from date of Completion. If there is still a discrepancy of CE hours contact your CE Provider.



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Q. Can the person who teaches the course receive CE credits?
A. Yes, instructors will receive the same number of credits as the individuals who take the course.

Q. Can I go to the website to look up how many CE credits I have? **A.** YES, there is a link on our website.

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Q. Can I take the same CE course two years in a row and receive credit?
A. No. You cannot receive credit for any course more than once in any reporting period.

Q. Are there any exemptions to the CE requirements?
A. Yes, the exemptions are:
 Non-residents of reciprocal states who have met the home state's CE requirements.
 Any producer whose license is LIMITED to acting only as a producer for credit insurance, crop, portable electronic, travel, motor club, dental services, and legal services, self storage for any of the above combination.
 Newly licensed producers, adjusters or title insurance agents licensed within 12 months of the renewal date.

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Q&A / RESOURCES

- Alabama Department of Insurance: aldoi.gov
- National Insurance Producer Registry (NIPR): nipr.com

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