

REPORT OF TARGETED EXAMINATION

OF THE

MARKET CONDUCT AFFAIRS

OF

UNITED GENERAL TITLE INSURANCE COMPANY

4041 ESSEN LANE

BATON ROUGE, LOUISIANA 70809

AS OF

DECEMBER 30, 1995

NAIC COMPANY CODE 51624

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COMMISSIONER OF INSURANCE
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March 15, 1996

Honorable James H. Brown
Commissioner of Insurance
P O Box 94214
Baton Rouge, Louisiana 70804-9214

Sir:

Pursuant to your instructions and authorization, and in compliance with statutory provisions, a targeted market conduct examination has been made of the affairs of

UNITED GENERAL TITLE INSURANCE COMPANY
at its Home Office at
One United Plaza
4041 Essen Lane
Baton Rouge, Louisiana 70809

as of December 31, 1995 and the report of examination is herewith submitted.

FOREWORD

This Targeted Market Conduct Examination Report covers the insurance activities of United General Title Insurance Company for the period from January 1, 1995 through December 31, 1995.

The Market Conduct Examination is, in general, a report by exception. This means that references in the examination report in regards to procedures and/or files subject to review may be omitted if no improprieties, or errors were noted.

Unless otherwise stated, the NAIC Market Conduct Examiners' Handbook was used as a measure of compliance.

SCOPE OF EXAMINATION

The targeted examination of United General Title Insurance Company, hereinafter referred to as UGT or Company, was conducted by the Louisiana Department of Insurance (Department) in accordance with the laws of the State of Louisiana and the guidelines set forth by the National Association of Insurance Commissioners (NAIC).

The purpose of this targeted examination was to examine certain of the Company's insurance activities.

The examination included, but was not limited to, the following areas of the Company's operations:

1. Company Overview
2. Policyholder Treatment
3. Policy Form Review
4. Claims Practices
5. Rate Review
6. Agent Review

COMPANY OVERVIEW

COMPANY HISTORY

The Company was incorporated under the laws of the State of Louisiana on September 2, 1983, and received its Certificate of Authority on September 15, 1983. On March 31, 1984, the Company was sold by its parent, United Companies Financial Corporation (UCFC), to United Companies Life Insurance Company (UCLIC), an affiliate, but was repurchased by UCFC on July 1, 1987.

MANAGEMENT AND CONTROL

The Company is a wholly-owned subsidiary of United Companies Financial Corporation (UCFC), a publicly traded Louisiana Corporation located in Baton Rouge, Louisiana.

The Directors duly elected at the Annual Stockholders Meeting and serving at December 31, 1995 were as follows:

Sherry Eola Anderson, CPA
John Terrell Brown, CEO
Jessie Oliver Griffin, CPA
Richard Henry Himes, JR.
Dale Edward Redman, CPA

The Company's Executive Officers appointed by the Board of Directors and serving at December 31, 1995 were as follows:

J. Terrell Brown	Chairman of the Board and CEO
Richard H. Himes, Jr.	President
Sherry Eola Anderson	Secretary
Laura Thompson Martin	Treasurer
Richard Alvarez	Vice-President
Thomas Joseph Elmlinger	Vice-President

Shawna Huise	Vice-President
Kathleen M. Merkel	Vice-President
Earle A. Thompson, Jr.	Vice-President
Stephen G. Cunningham	Vice-President
Frank Foote	Vice-President
Terry F. Jordan	Vice-President
David Steuart Perrie	Vice-President
R. Andrew Davidson	Vice-President
Jesse O. Griffin, CPA	Vice-President
Gordon S. LeBlanc	Vice-President
Paule Eric Runge	Vice-President

The Company has an informal policy regarding conflict of interest whereby it requests of officers and responsible employees full disclosure of any position or affiliation with any other business enterprise.

AFFILIATED COMPANIES

The Company is a member of an insurance holding company system. The following chart reflects the Company's position in relationship to other affiliates. Subsidiaries are shown indented under the appropriate parent company.

United Companies Financial Corporation		LA
United Companies Life Insurance Co.	100%	LA
United Variable Services, Inc.	100%	LA
United Companies Lending Corporation	100%	LA
Pelican Mortgage Company, Inc.	100%	DE
Adobe, Inc.	100%	NV
UCFC Acceptance Corporation	100%	LA
United Companies Mortgage of Tennessee, Inc.	100%	TN
United Companies Second Mortgage Corporation of Minnesota	100%	MN
United Companies Credit Life Insurance of Nevada, Inc.	100%	NV
United Mortgage, Inc.	100%	LA
Unicor Second Mortgage, Inc. of Minnesota	100%	MN
Ginger Mae, Inc.	100%	LA
Ginger Mae Second Mortgage, Inc. of Minnesota	100%	MN
Southern Mortgage Acquisition, Inc	100%	LA

United Communication Corp. of La., Inc	100%	LA
United Companies Management Co., Inc.	100%	LA
United Companies Realty & Develop, Inc.	100%	LA
United General Title Insurance Co.	100%	LA
United Plan Insurance Agency, Inc.	100%	LA
United Companies Lending Group, Inc.	100%	LA
United Companies Funding, Inc.	100%	MN
United Credit Card, Inc.	100%	LA
Foster Mortgage Corporation	100%	TX

The stock of United Company Financial Corporation is registered with the Federal Securities and Exchange Commission and is subject to the usual financial reporting and regulatory oversight.

TERRITORY AND PLAN OF OPERATION

As of December 31, 1995, the Company was licensed to transact title insurance in the following states:

Alabama	Mississippi
Arizona	Missouri
Arkansas	Nebraska
California	Nevada
Colorado	North Carolina
Florida	Ohio
Georgia	Oklahoma
Idaho	Pennsylvania
Illinois	South Carolina
Indiana	Tennessee
Kansas	Texas
Kentucky	Utah
Louisiana	Virginia
Maryland	Wyoming

During 1995, the Company received admission to the state of New Mexico. Because of name conflicts with other insurers operating in the state of California, the Company operates in California under the name, United Independent Title Insurance Company.

has liability of warranty of title.

The lender's policy is issued to the mortgage lender, and in addition to the previously mentioned conditions, it insures the lender as to the priority of the mortgage lien or deed of trust securing the real property. The lender's policy covers only the outstanding balance of the mortgage. The policy terminates with the repayment of the mortgage loan, which can occur through completion of scheduled loan payments, resale of the property, or refinancing of the original mortgage loan.

In many instances a "Commitment to Insure" or interim binder, is issued after a preliminary examination of title. The term of these commitments is six (6) months from the effective date. However, the term can be extended from time to time with the aggregate of such extensions not to exceed eighteen (18) months. This commitment obligates the Company to issue a policy when the requirements contained in the binder are satisfied.

In addition, the Company makes available upon request to any prospective lender policyholder an "Insured Closing Protection Letter" which provides for reimbursement of any loss of settlement funds transmitted by the prospective policyholder to the issuing agent or approved attorney of the Company resulting from fraud or dishonesty of such agent or attorney.

In addition, indemnity is also provided under the "Insured Closing Protection Letter" for any direct loss resulting from the failure of the issuing agent or approved attorney to comply with written closing instructions.

Title policies are issued on the basis of title examinations performed in local public records by the agents, employees of the agents, independent abstractors under contract with the agents or approved attorneys whose certificates of title the Company authorizes the agent to accept. The Company investigates the qualifications of those abstracting or examining title and requires each to carry "Errors and Omissions" insurance except where local practice or custom does not make it feasible.

The Company provides manuals of underwriting guidelines and escrow and settlements guidelines to the agents to aid in assessing the insurability of title and determining the proper handling of escrow funds.

The Company targets a specific market niche which focuses on insuring residential resale and refinancing transactions. Marketing consists of a network of over six hundred (600) independent agents who are either attorneys and/or title agencies. Agency support is provided through five operating regions and nine agency service centers located in Tennessee, Florida, Louisiana, Arkansas, Colorado, Texas and California.

Underwriting assistance to the agency force is provided through the Company's agency managers and a network of legal counsels located throughout its marketing area. This assistance is coordinated through the Company's Legal Department, located in Tennessee, which also serves as the Company's main Claims Office.

MARKETING

POLICY FORMS AND FILING REVIEW

A review of policy form approvals during the period under examination revealed that policy form UGT Form 252 La appears not to comply with the Louisiana Insurance Code.

On August 17, 1995, the Department approved form UGT Form 252 LA for the Company. This form titled Short Form Residential Loan Policy One-To-Four Family (short form), which was developed by the American Land Title Association (ALTA), is an abbreviated short form version of the ALTA Loan Policy (long form) dated 10/17/92.

A closer review of this short form reveals that it incorporates some policy provisions by reference to the ALTA Loan Policy (long form) dated 10/17/92. In years past, this long form was a "master policy" which was issued to the lender while the short form was issued to the owner. Since a master policy is no longer issued and the insured is not privileged to a copy of all policy provisions, it appears that the use of this short form is not in compliance with LSA-R.S. 22:628 which states in part

"No agreement in conflict with, modifying, or extending the coverage of any contract of insurance shall be valid unless it is in writing, and physically made a part of the policy or other written evidence of insurance, or it is incorporated in the policy or other written evidence of insurance by specific reference to another policy or written evidence of insurance....."

The Company's position on this practice was that the long

form had been approved by the Department, and consequently, reference to its provisions via the short form was acceptable.

AGENT REVIEW

A review was conducted of the Company's approximately two hundred and fifty Louisiana agent records and a schedule was prepared containing agents or agencies which were engaged in the following activities in 1995:

- transacting business without a current appointment
- receiving commissions without a current license
- not timely remitting title premiums to the Company

It was detected that fifty two (52) agents transacted business for the Company during 1995 without a current appointment. The Company is in violation of LSA-R.S. 22:1114 B(2) which states in part

"Any insurer lawfully authorized to transact business in this state shall appoint as its agent any person or persons holding a license under the provisions of this part. No solicitation of insurance may be made by any agent prior to notification of the insurer that its appointment has been recorded by the commissioner of insurance....."

In addition, the Company paid commissions in 1995 to twenty six (26) of these unappointed agents while their licenses had not been renewed. This is in violation of LSA-R.S. 22:1113 D(1) and 22:1117 A which state in part

22:1113 D(1)

"No insurer, insurance agent, insurance broker, surplus lines insurance broker, or insurance solicitor shall pay, directly or indirectly, any commissions, brokerage, or other valuable consideration to any person for services as an insurance agent, insurance broker, surplus lines insurance broker, or insurance solicitor within the state unless such person held a valid license during the period

services were rendered for that line of insurance as required by law for such services. No person other than a person duly licensed by the Department of Insurance as an insurance agent, insurance broker, surplus lines insurance broker, or insurance solicitor at the time such services were performed shall accept any such commission, brokerage, or other valuable consideration.."

22:1117 A

"No insurer, agent, or broker, shall pay any money or commissions or brokerage, or give or allow any valuable consideration or compensation to any person, partnership, or corporation, not a duly licensed agent, broker, or solicitor as herein licensed, nor to an insurer not licensed to do business in this state, for or because of services rendered or performed in this state in negotiating or effecting a contract of insurance on any property or risks, or insurable interests, or business activities located within or transacted within this state....."

It was noted that the Company's agent records were very difficult to review because the Company did not maintain a control agent file containing key data such as Department's licensing number, current cancellations (even if for cause), agent's intention to operate under a business name and results of agency audits performed by the Company. In some cases it did appear that the agent was operating under a business name which was not licensed or appointed with the Louisiana Department of Insurance.

Finally, it was determined that a number of agents or agencies were not remitting premiums to the Company on a timely basis. This practice is addressed in LSA-R.S. 22:1115 (A)(1)(e) which states

"A license may be suspended or revoked by the commissioner of insurance if, after notice of hearing as hereafter

provided, the commissioner finds any of the following: The licensee improperly withholds, misappropriates, fails to timely remit premiums and applications, or converts to ones use any monies belonging to policyholders, insurers, beneficiaries, claimants, or others possessed in the course of the business of insurance."

The following schedule details the findings of this review by agent number; the Company's internal assigned agent number was used if the Department's licensing number could not be determined.

SUMMARY OF AGENT REVIEW FINDINGS

DOI'S OR UGT'S LIC #	APPT DATE *	N-NOT LICENSED # U-UNAPPOINTED	POLICES TRANSACTED WHILE UNAPPOINTED	# OF POLICES PAID LATE**
045404	U		12	1
047363	06/24/95		141	106
049785	U, N		546	53
050051	U, N		107	92
052746	05/01/95		-	14
053172	U, N		47	28
056834	11/16/95		62	42
066024	U, N		7	1
067611	U		36	35
082281	11/06/95		4	-
082363	U, N		16	59
084560	05/01/95		-	36
085190	05/01/95		-	25
085226	11/28/95		4	4
089877	01/23/96, N		88	-
091384	05/01/95		-	27
092430	12/22/95		35	31
094040	U, N		51	-
098219	U, N		8	305
099487	05/01/95		-	150
105842	01/22/96, N		5	-
108119	U, N		282	22
108859	U, N		101	345
121944	U		124	209
133152	11/16/95		9	11
139815	11/28/95		-	3
140790	11/16/95		10	14
141345	01/10/96		5	3

DOI'S OR UGT'S LIC #	APPT DATE *	N-NOT LICENSED U-UNAPPOINTED	# POLICES TRANSACTED WHILE UNAPPOINTED	# OF POLICES PAID LATE**
142852	11/16/95		9	5
148315	U, N		7	7
152141	U, N		-	65
153055	U, N		4	-
154928	U, N		54	1
157123	11/16/95, N		66	39
164278	01/10/96		42	-
173713	10/27/95, N		96	-
190446	11/16/95		277	103
190598	05/01/95		-	56
191091	U, N		9	1
196675	11/28/95		2	-
198755	05/01/95		-	56
199594	05/01/95		-	5
199747	12/12/95		6	2
202113	01/23/96		38	57
202389	11/16/95		7	-
203033	01/11/96, N		16	58
203781	U		34	64
206558	01/30/96, N		10	6
209326	U		4	4
210262	12/22/95		25	31
213140	09/25/95		94	109
215639	11/28/95		11	12
UGT0307	U, N		4	4
UGT0349	U, N		-	48
UGT0404	U, N		3	-
UGT0442	U, N		12	13
UGT0516	U		-	12
UGT0592	U		1	1
UGT0743	U, N		53	76
UGT0821	U, N		-	8

* This review of appointment and licensing was as of December 31, 1995 but if an appointment date occurred in 1996 that date was included in this schedule.

** Premiums remitted to the Company 60 days or more after the policy effective date were considered late payments. It appears that at least 31 of these agents are exhibiting a pattern or trend not to timely remit premiums to the Company.

During this review the Company acknowledged that various commission rates were offered to its agents or agencies. This practice is in violation of LSA-R.S. 22:1459 B which states

"The commissions paid by each casualty, surety, fidelity, guaranty, and bonding insurer doing business in this state to its agents in this state, shall be uniform and equal as to all classes of agents of said insurer throughout this state."

It was also determined that the Company had no procedure in place at the home office to verify that the appointed individual with a firm was actually writing the title policies. The Company agreed to add this check to their audit procedures and to issue an agent's bulletin reminding the agents that only the appointed agent could transact title policies. The Company provided a copy of such a bulletin dated February 28, 1996, which was addressed to all Louisiana Agents.

While there may be circumstances relating to the title of real estate which would occasionally delay a policy premium from being remitted within 60 days of the effective date of the policy, it is recommended that the Company conduct audits in 1996 of any agents or agencies listed in the previous schedule which suggest a trend of failing to timely remit title insurance premiums. Any adverse findings from these audits relating to title policies should be promptly communicated to the Department.

COMPANY AUDIT PROCEDURES REVIEW

The Company executes a formal Issuing Agency Agreement which details the agent's and Company's rights and responsibilities. In this agreement is a provision which requires that the agent

submit a monthly report to the Company of policies issued and premiums collected. In addition, there is a provision which gives the Company the right at all reasonable times to examine all of the agent's trust accounts and to check any and all settlement accounts, checks, books, records and files of agent.

The Company provided a summary of audits performed on its agents in 1995. A review of these audit findings and recommendations by the Company indicates that when the audit reveals adverse findings, the Company makes recommendations to the agency to correct any shortfall in the agency's procedures. A follow-up audit is conducted to determine if the agency has taken corrective action.

During this review the Company terminated three agents with cause due to a 1995 audit with adverse findings. The Company failed to advise the Department of these agent terminations with cause which is in violation of ISA-R.S. 22:1114 (6) and (7) which states

"All notices of termination shall be filed in due course on forms prescribed by the commissioner of insurance stating the cause and circumstances of the termination."

"In the event the termination is for any of the causes of R. S. 22:1117, the insurer shall notify immediately the commissioner of insurance. Any information, document, record, or statement provided pursuant to this Section, however, may be deemed privileged in any civil action between the insured and the terminated licensee."

In 1995 the Company retained Regulatory Research Corporation (RRC) of Waban, Massachusetts, to conduct a review of recent changes the Company had instituted in agent selection and agent

audit procedures. It was noted in this review that the Company had instituted in 1994 an Agent Review Committee and an extensive auditing program.

Prior to 1994 all agents were initially recruited by the president of the Company. With the establishment of the Agent Review Committee agent applications are now reviewed by a committee instead of an individual.

From the inception of the Company in 1983 until August of 1994, agent audits were conducted entirely on an exception basis. Routine audits consisted primarily of a review of the agent's assigned policy inventory and completion of a general questionnaire. New audit procedures now require a more intensive auditing program which includes an audit of the agent's books, escrow accounts and a review of compliance with the Company's underwriting guidelines and rating manual.

The review conducted by the Regulatory Research Corporation addressed four primary questions:

1. Do the new procedures constitute a significant change from past practices?
2. Have the new procedures actually been implemented?
3. Have the new procedures had a measurable effect on any indicia of the company's performance?
4. Are the new procedures likely to produce a material improvement in the company's future loss experience compared to its past loss experience?

According to RRC's report, a positive response was noted for each of the four primary questions contained in their review.

RATE REVIEW

A review was conducted of rates charged to the consumer without exception.

Agent reports containing details of title policies submitted in 1995 by approximately one hundred (100) agents were reviewed in order to verify that premiums were calculated in accordance with rates approved by the Louisiana Insurance Rating Commission.

Although the Company does provide the agency with a monthly "net" debit or credit balance resulting in differences of premiums calculated by the Company, it did not appear that the Company was providing the agency with any detailed report of premium exceptions which would aid the agency in investigating the reason(s) for any miscalculations of premiums. In addition, an exception report could aid the agency in making prompt refunds to the insured on any material premium overcharge.

POLICYHOLDER TREATMENT

CLAIMS REVIEW

A random sampling of Louisiana title claims for 1995 were reviewed. No exceptions were noted in this review.

Title claims involve issues which challenge the title of the insured property. Because these issues are, in general, not quickly resolved a time study of claims payments was deemed inappropriate.

Claims files are maintained in Tennessee instead of Louisiana which is not in compliance with L. R. S. 22:39. However, claim files were promptly provided to the examiner during this review.

LITIGATION REVIEW

During the period under examination the Company was pursuing two noteworthy lawsuits. The first lawsuit is to recover funds held by the Trustee in the Charter Title Ltd (CTL) bankruptcy which the Company believes should have been deposited in the agent's escrow account rather than being treated as part of the bankruptcy estate.

CTL filed bankruptcy in January, 1995. Shortly after its bankruptcy filing, the Department conducted a review of this agency. During this review a senior officer of UGT signed a notarized statement stating that CTL had not submitted policy jackets or net premiums to UGT on approximately five hundred policies (500) issued to various lender and owner insureds.

Charter Title, which served as an independent agent for UGT and two other insurers, engaged in the business of examining real estate titles and conducting closings for lenders in the metropolitan New Orleans Area.

The second lawsuit is to recover against the other two insurers based on alleged fraud, unjust enrichment, and violation of Louisiana Insurance Regulation. The trial is scheduled for May of 1996.

SUBSEQUENT EVENTS

On February 29, 1996, United Companies Financial Corporation sold the capital stock of United General Title Insurance Company to Townsquare Title Service of Denver, Colorado, and Charles

A. Garney, of Kansas City, Missouri. Townsquare had been United General Title's western regional agency manager since 1991. Mr. Garney, a private investor and principal of Townsquare, is also Chairman of the Board and Chief Executive Officer of Garney Companies, Inc., a diversified company.

COMMENTS AND RECOMMENDATIONS

The Company should take necessary steps to insure that the usage of form UGT Form 252 La is in compliance with LSA-R.S. 22:628.

See POLICY FORMS AND FILING REVIEW Page 10.

It is recommended that the Company review all of its agents' files to determine that all agents and business entities with current issuing agency contracts are properly licensed and appointed with the Company. To assist the Company with this project the examiner, before completion of the examination, provided the Company with a listing of fifty two (52) active agents or agencies who appeared either to be unlicensed, failed to renew their license and/or were unappointed during 1995.

Also it is recommended that the Company maintain a control file for each agent which should contain pertinent documentation such as agency contract, licensing data, agent application, corporate or d/b/a name, audit reports and termination letters.

In addition, the Company should establish procedures to monitor on a regular basis agent production reports in order to detect agents demonstrating a practice of not timely remitting

premiums to the Company. It is recommended that those agents detected in this report who appeared to exhibit a pattern or trend to not timely remit premiums be scheduled for audit in 1996. Any adverse findings relating to title policies and any agent terminations for cause should be promptly communicated to the Department.

The Company is currently paying various commission rates to its agents or agencies. It is recommended that the Company determine a uniform and equal rate of commission to be paid to its Louisiana Agents in order to be in compliance with LSA-R.S. 22:1459. See AGENT REVIEW Page 11.

Furthermore, it did not appear that the Company provided the agents or agencies with any monthly detailed premium exception reports which could assist the agent in investigating the reason(s) for any miscalculations of premiums and insure a prompt refund to the consumer of any erroneous premium overcharge.

It is recommended that the Company establish a procedure which will timely communicate any premium discrepancies to its agents and insure prompt refunds of premium overcharges. See RATE REVIEW Page 18.

Finally, the Company requires the agent to sign an affidavit for missing policies. In this affidavit the agent details the missing policies and agrees that he or she will personally hold harmless UGT from any loss which may be caused by the loss of

the said policies either through issuance by an unauthorized person(s) or through any other manner.

This hold harmless provision appears to transfer insurance risk on these missing policies from the Company to the agency. Such a transfer could put the agency in the position of acting as an unlicensed insurer which is in conflict with LSA-R.S. 22:4.

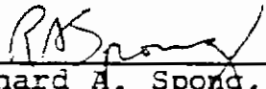
It is recommended that the Company revise this agreement in order that it will not conflict with statutory provision.

CONCLUSION

Acknowledgment is made of the courteous cooperation of the Officers and Employees of the Company during the examination.

I, the undersigned, hereby certify that a Market Conduct Examination has been made of United General Title Insurance Company, and the preceding report of examination results are true to the best of my ability.

Respectfully submitted,



Richard A. Spong, CFE, AIE
Department of Insurance
State of Louisiana