

Exhibit A
Order No. G 06-6
Pacific Northwest Title

MARKET CONDUCT EXAMINATION

PACIFIC NORTHWEST TITLE COMPANY

**215 COLUMBIA ST.
SEATTLE, WA 98104**

JANUARY 1, 2004 – DECEMBER 31, 2004



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The Honorable Mike Kreidler
Washington State Insurance Commissioner
PO Box 40255
Olympia, Washington 98504

Dear Commissioner Kreidler:

Pursuant to your instructions and in compliance with the statutory requirements of RCW 48.03.010 and procedures promulgated by the National Association of Insurance Commissioners (NAIC) and the Office of the Insurance Commissioner (OIC), an examination of the market conduct affairs has been performed on the following Company:

Pacific Northwest Title Company NAIC# 50980

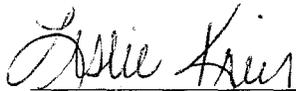
In this report, the above entity is also referred to as “the Company”. This examination is respectfully submitted.

CHIEF EXAMINER'S REPORT CERTIFICATION and ACKNOWLEDGEMENTS

This examination was conducted in accordance with Office of the Insurance Commissioner and National Association of Insurance Commissioners market conduct examination procedures. Sally Anne Carpenter, AIE, and Shirley M. Merrill of the Washington State Office of the Insurance Commissioner performed this examination and participated in the preparation of this report.

The examiners wish to express appreciation for the courtesy and cooperation extended by the personnel of the Pacific Northwest Title Company during the course of this market conduct examination, including those people assigned to us that provided daily support to the examiners.

I certify that this document is the report of the examination, that I have reviewed this report in conjunction with pertinent examination work papers, that this report meets the provisions for such reports prescribed by the Office of the Insurance Commissioner, and that this report is true and correct to the best of my knowledge and belief.



Leslie A. Krier, AIE, FLMI
Chief Market Conduct Examiner
Office of the Insurance Commissioner
State of Washington

FOREWORD

This examination was completed by applying tests to each examination standard. Each test applied during the examination is stated in this report and the results are reported. Exceptions are noted as part of the comments for the applied test. Throughout the report, where cited, RCW refers to the Revised Code of Washington, and WAC refers to Washington Administrative Code.

SCOPE

Time Frame

The examination covered the Company operations from January 1, 2004 through December 31, 2004. The examination was performed in the Company's home office in Seattle, Washington and in the Seattle branch of the Office of the Insurance Commissioner. This is the first market conduct examination of the Company.

Matters Examined

The examination included the following areas:

- Company History, Management and Operations
- General Examination Standards
- Area of Operations
- Agent Activities
- Complaints
- Underwriting and Rating
- Rate & Form Filings
- Claims Settlement Practices

SAMPLING STANDARDS

Methodology

In general, the sample for each test utilized in this examination falls within the following guidelines:

92%	Confidence Level
+/- 5%	Mathematical Tolerance

These are the guidelines prescribed by the National Association of Insurance Commissioners in the Market Conduct Examiners Handbook.

Regulatory Standards

Samples are tested for compliance with standards established by the Office of the Insurance Commissioner. The tests applied to sampled data will result in an error ratio which determines whether or not a standard is met. If the error ratio found in the sample is less than 5%, the standard will be considered as 'met'. The standard in the area of agent licensing and appointment will not be met if any violation is identified. The standard in the area of filed rates and forms will not be met if any violation is identified. This will also apply when all records are examined, in lieu of a sample.

For those standards which look for the existence of written procedures or a process to be in place, the standard will be met based on the examiner's analysis of those procedures or processes. The analysis will include a determination of whether or not the Company follows established procedures.

Standards will be reported as Passed (without comment), Passed with Comment or Failed. The definition of each category follows.

Passed	There were no adverse findings for this standard.
Passed with Comment	The records reviewed fell within the tolerance level for that standard.
Failed	The records reviewed fell outside of the tolerance level established for the standard.

COMPANY HISTORY, MANAGEMENT AND OPERATIONS

Company name	Incorporated	Domiciled
Pacific Northwest Title Insurance Company	January 1, 1927	January 16, 1997

Pacific Northwest Title Company was originally named Commonwealth Title Insurance Company. Commonwealth Title was acquired by Stewart Holding Company in 1993. In December 1996 Stewart Holding requested a name change from Commonwealth Title Insurance Company to Pacific Northwest Title Insurance Company. The Company filed the Restated Articles of Incorporation with the Office of the Insurance Commissioner and the Secretary of State. The name change was approved on January 16, 1997. The registered address of the Company was also changed from Tacoma to Seattle.

The Company is licensed to do business in nine states.

Findings

The following Company Management and Operations Standards Passed Without Comment:

#	Company Management and Operations Standard	Reference
1	The Company is required to be registered with the OIC prior to acting as an insurance Company in the State of Washington.	RCW 48.05.030(1) RCW 48.29.020
2	The Company is required to file with the OIC any amendments to the Articles of Incorporation for domestic insurers or insurance holding companies.	RCW 48.07.070

GENERAL EXAMINATION PRACTICES

Findings

The following General Examination Practices Standards Passed Without Comment:

#	General Examination Practices Standard	Reference
1	All requested information was made available to the examiners, and the Company otherwise facilitated the examination in a timely manner.	RCW 48.03.030(1)
2	The Company does business in its own legal name.	RCW 48.05.190(1) Bulletin 78-7 Bulletin T 2000-06
3	The Company maintains full and accurate records and accounts.	RCW 48.05.280

AREA OF OPERATIONS

Findings

The following Area of Operations Standards Passed Without Comment:

#	Area of Operations Standard	Reference
1	The Company is required to own or lease, and maintain, a complete set of tract indexes of the county in which its principal office within this state is located.	RCW 48.29.020(2)
2	For each additional county in which the Company is authorized to transact business the Company owns or leases and maintains, or has an authorized agent that owns or leases and maintains, a complete set of tract indexes.	RCW 48.29.040(1)
3	The Company must ensure that its agents maintain a complete set of tract indexes of the county or counties in which they do business.	RCW 48.29.160

ADVERTISING

Advertising Standards do not apply to this exam because the Company did not advertise during the exam period.

AGENT ACTIVITIES

Agent license and appointment records for agents who wrote the policies for the underwriting sample were reviewed by the examiners. The examiners also reviewed the list of active agents provided by the Company. As part of the review, the examiners compared the Company's records with the OIC records to ensure that agents soliciting business on behalf of the Company were licensed and appointed prior to soliciting business for the Company as required by Washington law.

Findings

The following Agent Activities Standards Passed Without Comment:

#	Agent Activities Standard	Reference
1.	The Company must ensure that agents or brokers are licensed for the appropriate line of business with the State of Washington prior to allowing agents to solicit business or represent the Company in any way.	RCW 48.17.060(1) & (2)
2	The Company must require that agents are appointed to represent the Company prior to allowing agents to solicit business on behalf of the Company.	RCW 48.17.160(1) & (2)
3	The Company must notify the OIC when an agent's appointment has been revoked.	RCW 48.17.160(3)

#	Agent Activities Standard	Reference
4	The Company must give an agency with a written agency contract at least 120 days notice of its intent to terminate the contract.	RCW 48.17.591(2)

COMPLAINTS

Findings

There were fourteen complaints filed with the OIC between January 2002 and December 2004. The records were reviewed for adverse trends and timely response to the OIC. The Company does not keep a complaint log or any formal procedures for complaint handling.

The following Complaints Standard Passed Without Comment:

#	Complaints Standard	Reference
1.	Response to communication from the OIC must be within 15 business days of receipt of the correspondence. The response must contain the substantial information requested in the original communication.	WAC 284-30-650, WAC 284-30-360(2) Technical Advisory T98-4

UNDERWRITING AND RATING

The examiners selected 100 of 65,535 policies issued during the examination period.

Files were reviewed to determine if the Company:

- Followed the filed rating plans
- Followed the underwriting rules
- Were in compliance with Washington laws

Findings

The following Underwriting and Rating Standards Passed Without Comment:

#	Underwriting and Rating Standard	Reference
1	Binders issued to temporarily secure coverage during underwriting are valid until the policy is issued or ninety days, whichever is shorter, and shall identify the Company providing the coverage and effective date.	RCW 48.18.230(1) WAC 284-30-560(3)
2	A Company purchasing title insurance from another carrier for resale is required to (a) pay the full premium for the policy; (b) charge the precise same amount to its own customer; and (c)	RCW 48.29.040(2)

#	Underwriting and Rating Standard	Reference
	provide proper notification to its customer.	
3	Policies shall be delivered to the insured or to the person entitled thereto within a reasonable period of time after its issuance.	RCW 48.18.260(1)
4	Policies shall be written for the benefit of persons having an insurable interest in the things insured.	RCW 48.18.040(1)
5	The Company discloses the existence of notices of payment obligations as per RCW 80.28.065 in its preliminary commitment for policy.	RCW 48.29.180

RATE AND FORM FILINGS

The examiners selected forms that were attached to the new policies used in the underwriting sample for the rate and form filing review. The purpose was to determine if the Company was complying with the laws regarding rate and form filing.

The examiners also manually rated policies to determine if the premium charged was accurate

Findings

The following Rate and Form Filing Standards Passed Without Comment:

#	Rate and Form Filing Standard	Reference
1	Policy forms and applications, where required, have been filed with and approved by the OIC prior to use. Personal Lines Only	RCW 48.18.100
5	Policy forms for commercial policies are filed within 30 days of use.	RCW 48.18.103(2)

The following Rate and Form Filing Standard Passed With Comment

#	Rate and Form Filing Standard	Reference
4	The policy must contain all endorsements and forms.	RCW 48.18.190

Standard #4:

- The Company failed to add a requested form to one policy (M-1094-491348).

The following Rate and Form Filing Standards Failed

#	Rate and Form Filing Standard	Reference
2	Where required, the Company has filed with the OIC, classification manuals, manuals of rules and rates, rating plans, rating schedules, minimum rates, class rates and rating rules prior to use, and does not issue any policies that are not in accord with the filing in effect.	RCW 48.19.040(1)-(6)

#	Rate and Form Filing Standard	Reference
3	The policy identifies all parties to the contract, the effective date of the policy, a statement of the premium and the conditions pertaining to the insurance.	RCW 48.18.140(2)(a)(d)(e) and (f)

Standard #2:

- Fourteen (14) policies were not rated according to the filed rates. Rating is done at the agency levels. The Company does not verify the premium when it is submitted. In eight (8) cases the policyholder was undercharged. In six (6) cases the policyholder was overcharged. \$443.09 was returned to policyholders. Refunds to the policyholders include sales tax.

Standard #3:

- Policies were issued without the required statement of premium. As the Company allows agents to issue policies this practice was not consistent. The Company was unable to give a specific number of policies that were in violation, although it is estimated in the thousands since 1992, when the last major revision of the A.L.T.A. (American Land Title Association) policy revision was adopted.

See Appendix 1 for detail.

CLAIMS SETTLEMENT PRACTICES

The examiners reviewed twenty one (21) of forty two (42) claims that were closed during the exam period. The claims were handled by the Company's staff attorneys. Claims involved mechanic liens, missed easements or boundary lines, and right of access.

Findings

The following Claims Settlement Practices Standards Passed Without Comment:

#	Claims Settlement Practices Standard	Reference
1	The Company settles claims in a manner that is not in conflict with any section of the Unfair Claims Settlement Act.	WAC 284-30-330
3	The Company provides an explanation of all pertinent coverage to first party claimants.	WAC 284-30-350
5	The Company complies with requirements for prompt investigation of claims.	WAC 284-30-370
6	The Company accepts or denies coverage within 15 days after receiving proof of claim.	WAC 284-30-380

The following Claims Settlement Practices Standard Passed With Comment:

#	Claims Settlement Practices Standard	Reference
4	The Company acknowledges receipt of a claim within 10 days, and responds to all communication on a claim file within the time frames prescribed.	WAC 284-30-360(1) and (3)

Standard #4:

- One (1) file (2003-004) contained responses to e-mail questions from a customer. The file contained a draft copy of the response messages which were not dated. The Company could not prove that the responses were sent timely.

The following Claims Settlement Practices Standard Failed:

#	Claims Settlement Practices Standard	Reference
2	The Company claim files contain detailed log notes and work papers that allow reconstruction of the claim file.	WAC 284-30-340

Standard #2:

- Three (3) claim files did not contain enough information to reconstruct the files. Correspondence did not have date stamps. Log notes were incomplete and not dated or file notes were incomplete.

See Appendix 2 for detail.

ESCROW ACTIVITIES

The Company does not perform as an escrow company. Because of this, the Escrow Activities Standards are not applicable to this examination.

SUMMARY OF STANDARDS

Company Management and Operations:

#	STANDARD	PAGE	PASS	FAIL
1	The Company is required to be registered with the OIC prior to acting as an insurance Company in the State of Washington. Reference: RCW 48.05.030(1), RCW 48.29.020	7	X	
2	The Company is required to file with the OIC any amendments to the Articles of Incorporation for domestic insurers or insurance holding companies. Reference: RCW 48.07.070	7	X	

General Examination Practices:

#	STANDARD	PAGE	PASS	FAIL
1	All requested information was made available to the examiners, and the Company otherwise facilitated the examination in a timely manner. Reference: RCW 48.03.030(1)	7	X	
2	The Company does business in its own legal name. Reference: RCW 48.05.190(1), Bulletin 78-7, Bulletin T 2000-06	7	X	
3	The Company maintains full and accurate records and accounts. Reference: RCW 48.05.280	7	X	

Area of Operations:

#	STANDARD	PAGE	PASS	FAIL
1	The Company is required to own or lease, and maintain, a complete set of tract indexes of the county in which its principal office within this state is located. Reference: RCW 48.29.020(2)	8	X	
2	For each additional county in which the Company is authorized to transact business the Company owns or leases and maintains, or has an authorized agent that owns or leases and maintains, a complete set of tract indexes. Reference: RCW 48.29.040(1)	8	X	
3	The Company must ensure that its agents maintain a complete set of tract indexes of the county or counties in which they do business. Reference: RCW 48.29.160	8	X	

Agent Activities:

#	STANDARD	PAGE	PASS	FAIL
1	The Company must ensure that agents or brokers are licensed for the appropriate line of business with the State of Washington prior to allowing agents to solicit business or represent the Company in any way. Reference: RCW 48.17.060(1) and (2)	8	X	
2	The Company must require that agents are appointed to represent the Company prior to allowing agents to solicit business on behalf of the Company. Reference: RCW 48.17.160(1) and (2)	8	X	
3	The Company must notify the OIC when an agent's appointment has been revoked. Reference: RCW 48.17.160(3)	8	X	
4	The Company must give an agency with a written agency contract at least 120 days notice of its intent to terminate the contract. Reference: RCW 48.17.591(2)	9	X	

Complaints:

#	STANDARD	PAGE	PASS	FAIL
1	Response to communication from the OIC must be within 15 business days of receipt of the correspondence. The response must contain the substantial information requested in the original communication. Reference: WAC 284-30-650, WAC 284-30-360(2) Technical Advisory T98-4	9	X	

Underwriting and Rating:

#	STANDARD	PAGE	PASS	FAIL
1	Binders issued to temporarily secure coverage during underwriting are valid until the policy is issued or ninety days, whichever is shorter, and shall identify the Company providing the coverage and effective date. Reference: RCW 48.18.230(1), WAC 284-30-560(3)	9	X	
2	A Company purchasing title insurance from another carrier for resale is required to (a) pay the full premium for the policy; (b) charge the precise same amount to its own customer; and (c) provide proper notification to its customer. Reference: RCW 48.29.040(2)	9	X	

#	STANDARD	PAGE	PASS	FAIL
3	Policies shall be delivered to the insured or to the person entitled thereto within a reasonable period of time after its issuance. Reference: RCW 48.18.260(1)	10	X	
4	Policies shall be written for the benefit of persons having an insurable interest in the things insured. Reference: RCW 48.18.040(1)	10	X	
5	The Company discloses the existence of notices of payment obligations as per RCW 80.28.065 in its preliminary commitment for policy. Reference: RCW 48.29.180	10	X	

Rate and Form Filings:

#	STANDARD	PAGE	PASS	FAIL
1	Policy forms and applications, where required, have been filed with and approved by the OIC prior to use. Personal Lines Only. Reference: RCW 48.18.100	10	X	
2	Where required, the Company has filed with the OIC, classification manuals, manuals of rules and rates, rating plans, rating schedules, minimum rates, class rates and rating rules prior to use, and does not issue any policies that are not in accord with the filing in effect. Reference: RCW 48.19.040(1)-(6)	10		X
3	The policy identifies all parties to the contract, the effective date of the policy, a statement of the premium and the conditions pertaining to the insurance. Reference: RCW 48.18.140(2)(a)(d)(e) & (f)	11		X
4	The policy must contain all endorsements and forms. Reference: RCW 48.18.190	10	X	
5	Policy forms for commercial policies are filed within 30 days of use. Reference: RCW 48.18.103(2)	10	X	

Claims Settlement Practices:

#	STANDARD	PAGE	PASS	FAIL
1	The Company settles claims in a manner that is not in conflict with any section of the Unfair Claims Settlement Act. Reference: WAC 284-30-330	11	X	
2	The Company claim files contain detailed log notes and work papers that allow reconstruction of the claim file. Reference: WAC 284-30-340	12		X

#	STANDARD	PAGE	PASS	FAIL
3	The Company provides an explanation of all pertinent coverage to first party claimants. Reference: WAC 284-30-350	11	X	
4	The Company acknowledges receipt of a claim within 10 days, and responds to all communication on a claim file within the time frames prescribed. Reference: WAC 284-30-360(1) & (3)	12	X	
5	The Company complies with requirements for prompt investigation of claims. Reference: WAC 284-30-370	11	X	
6	The Company accepts or denies coverage within 15 days after receiving proof of claim. Reference: WAC 284-30-380	11	X	

INSTRUCTIONS AND RECOMMENDATIONS

INSTRUCTIONS

#	INSTRUCTION	PAGE NUMBER
1	The Company is instructed to comply with RCW 48.19.040(1)-(6) and ensure that all policies are rated with the appropriate filed rate. The Company is further instructed to perform an audit on all policies issued in 2004 by the Seattle, Everett, and Spokane agencies to determine overcharged rates, and return all such premiums to the appropriate party. The results of this audit shall be reported to the OIC within 90 days of adoption of this report. The report will include proof of reimbursement to insureds of all overcharged premium. The Company will further establish an annual audit plan for all agencies.	10
2	The Company is instructed to comply with RCW 48.18.140(2)(a)(d)(e) and (f) and ensure that all policies issued identify the premium.	11
3	The Company is instructed to comply with WAC 284-30-340 and ensure that claim file log notes are complete and that outgoing correspondence is dated and that incoming correspondence is dated or date stamped.	12

RECOMMENDATIONS

#	RECOMMENDATIONS
1	It is recommended that the Company establish written complaint handling procedures and a complaint log.
2	It is recommended that the Company hold training sessions with agents addressing the requirements of Title 48 RCW and Title 284 WAC as they pertain to title company operations.

APPENDIX 1

Rate and Form Filing Standards

Standard #2: The Company files with OIC, its schedule of premium rates as well as all additions or modifications to the schedule of rates 15 days prior to use.	
Policy #	Comments
51973	Policy not rated accurately. Premium charged \$303. Premium should have been \$308. Undercharged
544126	Policy not rated accurately. Premium charged \$226. Premium should have been \$283. Undercharged
515707	Policy not rated accurately. Premium was overcharged. \$122.61 returned to policyholder.
505379	Policy not rated accurately. Premium charged \$417. Premium should have been \$506. Undercharged
504528	Policy not rated accurately. Premium was overcharged. \$143.22 returned to policyholder
544234	Policy not rated accurately. Premium charged \$657. Premium should have been \$788. Undercharged
67808	Policy not rated accurately. Premium charged \$418. Premium should have been \$467. Undercharged
196913	Policy not rated accurately. Premium charged \$644. Premium should have been \$669. Undercharged
205555	Policy not rated accurately. Premium was overcharged. \$107.71 returned to policyholder
67602	Policy not rated accurately. Premium was overcharged. \$21.76 returned to policyholder
M-1094-537656	Policy not rated accurately. Premium charged \$350. Premium should have been \$370. Undercharged
M-1094-521307	Policy not rated accurately. Premium was overcharged. \$16.29 returned to policyholder
M1094-521533	Policy not rated accurately. Premium was overcharged. \$31.50 returned to policyholder.
M1094-455904	Policy not rated accurately. Premium charged \$90. Premium should have been \$185. Undercharged

Standard # 3: The policy identifies all parties to the contract, the effective date of the policy, a statement of the premium and the conditions pertaining to the insurance.

Policy #	Comment
Policies written between 1992 and 2005	The Company did not provide a statement of the premium on the policy. The Company estimated that this error occurred on thousands of policies, but not all policies.

Standard # 4: The policy must contain all endorsements and forms.

Policy #	Comment
M-1094-491348	The insured had requested Form 6.2 be added. The Company failed to add the form.

APPENDIX 2

Claims Standards

Standard# 2: Company claim files detailed log notes and work papers that allow reconstruction of the claim file.	
Policy #	Comments
2003-45	File did not contain enough information in the log notes to determine the activities and dates of pertinent events. Correspondence was not date stamped, and phone calls were not documented.
2003-004	File did not contain enough information in the log notes to determine the activities and dates of pertinent events.
2003-57	File did not contain enough information in the log notes to determine the activities and dates of pertinent events.



PACIFIC NORTHWEST TITLE
Insurance Company, Inc.

RECEIVED

FEB 08 2006

INSURANCE COMMISSIONER
SEATTLE

RAYMOND L. DAVIS
President

February 7, 2006

Leslie A. Krier, FLMI
Acting Deputy Insurance Commissioner
Office of Insurance Commissioner
Suite 650
810 Third Avenue
Seattle, WA 98104

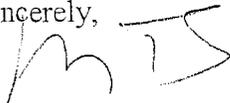
Re: Pacific Northwest Title Insurance Company Market Conduct Examination

Dear Commissioner Krier:

This is to confirm that I think the draft report of examination is both fair and reasonable. This company will follow the instructions and implement the recommendations set forth on page 17 of the report. We have already reviewed all of the policies issued by the Spokane agency and about half of the policies issued by the Everett agency during 2004. We will keep your office advised of our progress.

I appreciate the courtesy and professionalism shown by your staff both during this examination and afterwards. This company will strive to improve its performance and correct the mistakes noted. Our responsibility is to protect our insured and we take that responsibility very seriously. The OIC instructions and recommendations will make us a better company.

Sincerely,



Raymond L. Davis

cc: Jim Gill