

**DECLARATION OF MAILING**

I declare under penalty of perjury under the laws of the State of Washington that the date listed below, mailed or delivered, is a true copy of this document to Charles Brown + Jeffrey Thomas  
DATED this 30th day of Sept 2008  
at Tumwater, Washington.

Signed: J. Halloway

**STATE OF WASHINGTON**



**OFFICE OF INSURANCE COMMISSIONER**

Phone: (360) 725-7000  
www.insurance.wa.gov

**FILED**

2008 SEP 30 A 11:33

IN THE MATTER OF

- ) NO. D07-288
- )
- ) STIPULATION AND AGREED
- ) ORDER DISMISSING
- ) ADJUDICATIVE PROCEEDING

Hearings Unit, DIC  
Patricia D. Petersen  
Chief Hearing Officer

STEWART TITLE  
GUARANTY COMPANY,

An Authorized Insurer.

**STIPULATION**

Pursuant to RCW 34.05.060 and WAC 10.08.230(2)(b), the Office of Insurance Commissioner ("OIC"), by and through its designated representative, Charles Brown, and Stewart Title Guaranty Company ("STG"), by and through its undersigned representatives and its counsel, Jeffrey Thomas, hereby stipulate and agree to resolve this matter as follows:

1. STG is a title insurer licensed to do business in the State of Washington. Stewart Title of Snohomish County, Inc. ("Stewart Snohomish") is a subsidiary title agent of STG.

2. In 2006, the OIC issued a report of an investigation into payments or services provided by title insurers to real estate agents and brokers as inducements for referral of title business in violation of WAC 284-30-800. The report found that illegal inducements were widespread in the title insurance industry in Washington. In November 2006, the OIC issued Technical Assistance Advisory 06-06, clarifying that title insurers may not give anything of value exceeding \$25 in any twelve month period to any person as an inducement or reward for placing title insurance business.

3. In 2007, the OIC audited Stewart Snohomish's checkbook, ledger, expense account documents, and realtor continuing education expenses for the period December 1, 2006 through March 30, 2007.

4. Based on the audit, the OIC issued Order to Cease and Desist No. D07-288, and sought through this administrative hearing to impose a fine upon Stewart for violations of WAC 284-30-800. These violations primarily related to co-advertising expenditures by Stewart to realtors that OIC contends were disproportionately large in comparison to the amount of space in the advertisements allocated to Stewart and to certain transactions in which Stewart Snohomish paid money on a monthly basis to realtors to rent desks in their offices, although OIC contends these rentals lacked substance. The OIC believes that any co-advertising with realtors where the title



company's percentage share of the cost of a joint printed advertisement exceeds the percentage share of the total advertisement occupied by the title company's logo or other information specific to the title company is an illegal inducement. The OIC further believes that desk fee arrangements with realtors are illegal inducements.

5. In order to fully resolve the pending proceeding between the OIC, STG and its subsidiary title agents without further administrative or judicial proceedings and in order to avoid the costs and uncertainties of litigation, the parties agree to fully settle this matter as follows:

5a. Stewart Snohomish agrees to pay a penalty of \$400,000, of which amount \$250,000 is due within thirty days of the date of the entry of the subjoined Order and the remainder of which is suspended for a period of two years from the date of entry of the subjoined Order on the condition that STG and its subsidiary title agents comply with the Washington insurance code statutes and regulations governing illegal inducements and carry out the provisions of the Compliance Plan which is attached hereto and incorporated herein by reference.

5b. The parties agree that this Stipulation and Agreed Order are intended to fully resolve all issues relating to STG and its subsidiary title agents related to the OIC's Notice of Intent to Impose Civil Penalties and arising under the Washington insurance code statutes and regulations governing illegal inducements as of the date of entry of the Order.

5c. In the event the statutes or regulations change during the two-year suspension period, any future conduct by STG will be subject to the statutes or regulations then in effect.

5d. This Stipulation is for settlement purposes only, and the fact of, and any provision, finding, or conclusion contained in this Stipulation or the subjoined Order, and any action taken hereunder: (a) does not constitute and shall not be construed to constitute, or be admissible in evidence as, any admission of liability by STG, including, but not limited to any fact or legal principle in the action now pending in King County titled Sherlita Wilson v. Stewart Title Guaranty, et al., the action now pending in the United States District Court for the District of Washington titled Lubic v. Fidelity National Financial, Inc., et al. (and any cases consolidated therewith or making substantially the same allegations as are made therein), or any other lawsuit related to or based upon any allegation, fact, or legal principle involved in this action, and (b) does not, and is not intended to, determine any factual or legal issues or have any preclusive or collateral estoppel effects in regard to Wilson v. Stewart Title, Lubic v. Fidelity National (and consolidated or substantially similar cases), or any other lawsuit based upon any allegation, fact, or legal principle involved in this action.

The parties agree that the subjoined Order may be entered forthwith and without further notice.

Dated this 27<sup>th</sup> day of September, 2008.

Charles D Brown

Charles D. Brown

*SEC Staff Attorney*

Dated this 23<sup>rd</sup> day of September, 2008.

Stewart Title Guaranty Company

By: [Signature]

Title: Senior VP

### ORDER

This matter having come on before the undersigned Chief Hearing Officer of the State of Washington Office of Insurance Commissioner pursuant to the foregoing Stipulation and the Chief Hearing Officer having reviewed said Stipulation and deeming herself fully advised in the premises, NOW THEREFORE,

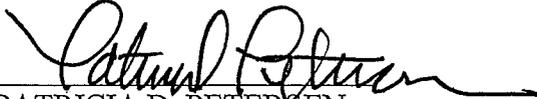
IT IS HEREBY ORDERED as follows:

1. Stewart Title of Snohomish County, Inc. is ordered to pay a penalty amount in the amount of \$400,000, \$150,000 of which amount is suspended pending compliance with the statutes and regulations that are the subject of this Order for a period of two years and with the terms of the Compliance Plan which is attached hereto and incorporated herein by reference, subject to all terms and conditions in the foregoing stipulation.

2. Stewart Title Guaranty Company shall comply with the terms and conditions of the foregoing stipulation.

2. OIC Docket Number D07-288 is hereby closed and dismissed as settled.

SIGNED AND ENTERED this 30<sup>th</sup> day of September, 2008;

  
PATRICIA D. PETERSEN  
Chief Hearing Officer  
Office of Insurance Commissioner

Presented by:

  
Charles D. Brown  
OIC Staff Attorney

Approved for Entry/Notice  
of Presentation Waived:

  
Gordon Tilden Thomas & Cordell LLP  
Jeffrey M. Thomas  
Attorneys for Stewart Title  
Guaranty Company

## COMPLIANCE PLAN

### A. Purpose of and Consideration for the Plan

Stewart Title Guaranty Company ("STG") enters into this Compliance Plan with the Office of Insurance Commissioner ("OIC") for the State of Washington to promote compliance by STG with the requirements of the laws and regulations of the State of Washington. STG also is entering into a Stipulation and Agreed Order No. D07-288 with the OIC. This Plan is attached to the Stipulation and Agreed Order and is fully incorporated into the Agreed Order, and STG's obligations under this Compliance Plan are made a part of the Stipulation and Agreed Order and constitute obligations under the Agreed Order as though this Compliance Plan and STG's obligations under it were fully set forth in the Agreed Order. Any failure by STG to satisfy all terms of this Plan during the two-year suspension period will be grounds for imposition of the suspended portion of the fine set forth in the Agreed Order.

### B. Term of Plan

The effective date of this Plan shall be the date of entry of the Agreed Order, on which date this Plan shall become final and binding. STG's obligations under this Compliance Plan shall continue from its effective date for a period of three years.

### C. Compliance Plan

#### 1. Internal Audits

- a. Information to OIC: STG will conduct seven semi-annual internal audits, the first to be performed within sixty (60) days of the entry of the Stipulation and Agreed Order. Every six (6) months thereafter STG will perform similar audits. STG will provide its staff conducting the audits with the Stipulation and Agreed Order. These audits will review the expenses of STG and its Washington subsidiary agents for the six (6) months prior to each audit. The audits will be completed within sixty (60) days of their start. The results of each audit will be summarized in a report which will be provided to OIC within thirty (30) days of the completion of the audit. STG will take prompt corrective action with regard to any violations of WAC 284-30-800 discovered in the audits and will report that corrective action within thirty (30) days of providing the report to OIC. Copies of each audit report and information about corrective action shall be provided to Christine Tribe of the OIC Legal Affairs Division

b. Internal Audit Obligations:

(i) STG will audit its Washington subsidiary agents' checkbooks, ledgers, and expense account entries to determine whether there have been any violations of WAC 284-30-800.

(ii), Each audit shall review all co-advertising in the State of Washington. As set forth in the Agreed Order, STG agrees that its percentage share of the cost of a joint printed advertisement will not exceed the percentage share of the total advertisement occupied by STG's logo or other information specific to STG. STG's audits of its co-advertising in Washington will verify whether this standard is being met.

(iii) As set forth in the Agreed Order, STG agrees not to enter into arrangements with realtors in the State of Washington to rent specific desks in the realtor's office, so long as such arrangements remain a violation of the anti-inducement statute and regulation. Each audit will verify whether any such arrangements have been transacted.

(iv) Each audit will review STG's costs in providing transaction management services and the amount that STG or its Washington subsidiary agents charge for such services to verify that the transaction management services are not being provided for a price that is below STG's cost and that such services provided are being provided in conformity with the current statutes and regulations or the statutes and regulations that are in effect at the time the transaction management service is offered.

- c. Correction of Exceptions: Any violation of WAC 284-30-800 or other statute or regulation identified by the audits shall be promptly corrected. STG agrees to advise the OIC within thirty (30) days of the audit report of all corrective measures taken to address any such violations or any other deficiencies requiring correction. Should STG need longer than thirty (30) days to correct any violation or deficiency, it may contact the OIC Legal Affairs Division and request an extension to the thirty (30) day requirement. The OIC will not impose the suspended portion of the penalty amount nor will it take action against STG's Certificate of Authority should STG or its agents report isolated, de minimis violations of statutes or regulations.

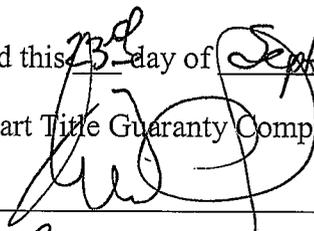
D. Miscellaneous

1. Authority to Enter Plan: STG gives express assurance that, under applicable laws, regulations, and where applicable, its Articles and By-Laws, it has the authority to comply fully with the terms and conditions of

this Plan, and that it will provide written notification to the other parties within ten (10) days of any material change to this authority or of any violation of this Plan.

Dated this 23<sup>rd</sup> day of September, 2008.

Stewart Title Guaranty Company

By: 

Title: ROBERT R. OAKLAND, ITS JVP