

STATE OF ALASKA

DEPARTMENT OF COMMERCE AND ECONOMIC DEVELOPMENT

DIVISION OF INSURANCE

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STEWART TITLE INSURANCE RATE ORDER NO. R93-12

The Director of Insurance does hereby find as follows:

Background

1. In late fall 1991, the Division of Insurance completed a series of examinations of title insurance agents in the Anchorage recording district. The examinations were designed to test compliance with Alaska Statutes governing title rates, escrow charges and rebates.
2. The examinations revealed a number of issues which were addressed individually as recommendations in the various exam reports. The nature of the marketplace, however, is such that individual implementation of the recommendations could result in a competitive disadvantage. It was felt that a uniform application of the recommendations to all title business was the only reasonable method of implementation. An industry title ad hoc working group was formed. In its initial meeting, a concern over the rating schedule was addressed. A preliminary conclusion was that the division needed to address the rate schedule since there were antitrust concerns by the industry ad hoc group if they attempted any such work.
3. In March 1992, a Notice of Public Hearing was published proposing a regulatory hearing to disapprove title rate schedules. The hearing was held on April 27, 1992 and October 30, 1992 at the Z.J. Loussac Library in Anchorage, Alaska.
4. A review of all title insurers' rates revealed numerous discounts that were unsupported and, in some cases, do not reflect the insurers' financial risk. The discounted rates on file had no statistical plan, experience rating factors or any other data reasonably supporting why the discount was appropriate. In many cases, the discount did not adequately reflect the risk or expense of producing the title project.
5. Regulatory Order 92-14 which took effect January 1, 1993 disapproved discounted rates that were not supported in accordance with AS 21.66.380 and AS 21.66.390.

Stewart Title Rate Filing

6. Stewart Title submitted a short term rate filing dated June 2, 1993 that violated Regulatory Order 92-14. The rate contemplated by Stewart Title was a two-tiered reduction of 30% when a policy has been issued within 12 months and 20% when a policy has been issued between 12 and 24 months.
7. The Division of Insurance disapproved the filing July 2, 1993. The disapproval was based on regulatory Order 92-14 as well as failure to demonstrate the necessary provisions contained in AS 21.66.380 - AS 21.66.390.
8. Stewart Title requested a hearing July 29, 1993 in accordance with AS 21.66.400(d).
9. A hearing was held October 19, 1993 (H93-07) so Stewart Title could demonstrate the filing met the standards in accordance with AS 21.66.380 and AS 21.66.390.


Conclusion

10. Rate schedules must be items that can be supported in accordance with AS 21.66.380 and AS 21.66.390. Stewart Title could not support the filing.

The Director of Insurance hereby orders:

- A. Regulatory Order 92-14 be affirmed in its entirety including sections D, I, J from the amendment dated January 11, 1993.
- B. Stewart Title and Guaranty Company short-term rate filing dated June 2, 1993 is disapproved in its entirety.
- C. This order takes effect on February 1, 1994.

DATED this 19th day of January, 1994



David J. Walsh, Director
Division of Insurance